

Seeking a Culprit For Trade Tensions

Protectionist Surge Prompts Japan To Consider the Sources of Friction

By Patrick L. Smith International Herald Tribune TOKYO — As a new U.S. administration assumes office...

off explosive bouts of trade friction over otherwise minor matters. Even before George Bush assumes the presidency...

Protectionism/Free Trade



Second in a series of articles

over the past three years to correct global economic imbalances...

Like many U.S. legislators, Japanese officials and business executives tend to first look abroad...

Their rising concerns are emblematic of the global tension that has increased with a recent surge in protectionist sentiment.

The U.S. trade and budget deficits, for instance, are viewed in Tokyo as something of a lightning rod...

Japan's trade surplus surged 38 percent in November, Page 9.

lems at home that Japanese executives and bureaucrats are more reluctant to address...

In particular, there is growing concern as to whether listing adjustments have been made to reduce Japan's dependence on exports...

Reduced exports and a shift away from an approach that stresses favorable trade balances are supposed to be at the core of changes...

See TRADE, Page 7

Perm Camp 35: Glasnost in the Gulag

By Philip Taubman New York Times Service

PERM, U.S.S.R. — Deep in the interior of Russia, snowbound amid the undulating pine forests of the Ural mountains...

35 was opened briefly last week to two American journalists and Catherine Fitzpatrick, research director of Helsinki Watch in New York...

Daily menus for December were posted in the camp dining room, calorie totals carefully itemized to show that prisoners were being adequately fed...

dissent — had been released from prisons and camps. The day before the camp tour, Mr. Gorbachev told the United Nations...

See PRISON, Page 2

Russian Rescuers Criticized

As Hopes Fade For Missing, Press Cites Inefficiency

By Bill Keller New York Times Service MOSCOW — As hopes faded for thousands of victims believed still trapped under the debris of last week's earthquake...

Health Minister Yevgeni I. Chazov has estimated that as many as 70,000 people were killed by the quake last Wednesday...

Soviet officials said they could not tell how many victims were still beneath the rubble of ruined Armenian cities because the populations of some of the localities hardest hit had recently been swollen...

Five days after the quake, officials said the prospects of survival for those trapped in the ruins were declining fast, although Valentin M. Nikiforov, a deputy foreign minister...

See QUAKE, Page 2

36 Are Killed in a London Rail Collision



Rescuers searching Monday for the dead and injured in the wreckage of two packed commuter trains that crashed without warning and were hit by a third train during the morning rush hour in South London, killing 36 persons...

In Armenia, Anger Boils On Ethnic Fault Lines

By Michael Dobbs Washington Post Service

MOSCOW — The Soviet republic of Armenia was struck by not one, but two disasters this month. The natural disaster was the most spectacular...

When the rubble from Wednesday's earthquake has been cleared, President Mikhail S. Gorbachev will still have to cope with the political aftermath...

NEWS ANALYSIS

ical aftershocks of the most severe ethnic unrest to hit the Soviet Union in decades.

In the days before the quake struck, tens of thousands of Armenian refugees fled the neighboring republic of Azerbaijan while similar numbers of Azerbaijanis escaped in the opposite direction.

Over the past two days, the tragedies have almost merged. Mr. Gorbachev has accused Armenian nationalists of trying to exploit emotions unleashed by the earthquake to pursue their own political goals.

Armenian activists have in turn alleged that the Soviet leader has used the disaster as a pretext for moving against their mass movement.

In a television interview Sunday night after a tour of the disaster zone, Mr. Gorbachev served notice that his patience with a yearlong controversy over the disputed Azerbaijan province of Nagorno-Karabakh is at an end.

"They are out for power," Mr. Gorbachev said, apparently referring to leaders of the banned Karabakh Front.

See ETHNIC, Page 2

A 2d Airplane Crashes With Aid for Armenia

By David Remnick Washington Post Service

MOSCOW — A Yugoslav air force transport jet carrying supplies for the earthquake relief effort in Soviet Armenia crashed Monday near the Yerevan airport, killing all seven crew members.

The crash follows a similar disaster in the region Sunday, when a Soviet Army plane crashed near Leninakan, killing 78 people.

The two crashes underscored criticism by witnesses and the Soviet press that the massive relief effort has been plagued not only by the scope of the devastation, but also by rampant delays, heavy air traffic and disorganization.

A senior aviation official, Boris Panyukov, said in Moscow that both the AS-12 Yugoslav transport plane and the Soviet Ilyushin-76 "just disappeared from the radar screen" and crashed.

He defended the radar equipment and air traffic controllers at both Yerevan and Leninakan airports as "up to international standards" and denied a report that the Soviet plane had collided with a helicopter.

"There was no collision with a helicopter," said Mr. Panyukov, first deputy minister of civil aviation. "The only collision was with the ground."

Planes from about 40 countries, including four from the United States, have been shuttling aid and rescue workers into Leninakan, Kirovakan, Spitak and other towns hit hardest by the quake.

Mr. Panyukov said that the Yugoslav plane left Yugoslavia, flew over Turkey and was descending into the Yerevan airport when it "crashed and burned" at 2:23 A.M. near a highway. After the crash, all air traffic in Yerevan was directed to other cities.

The crashes followed a warning in the military newspaper Red Star about the overcrowding. The paper had alleged that scores of emergency flights a day were outstripping the capabilities of air traffic controllers to handle them. But a spokesman said...

See PLANE, Page 2

Japan Leading U.S. In Key Chip Process

By John Markoff New York Times Service

NEW YORK — Electronics executives and scientists are warning that Japan is rapidly pulling ahead of the United States in development of a crucial X-ray technology that will be used to manufacture computer chips in the mid-1990s.

At stake, say industry executives, is American competitiveness in a number of vital areas, from military technology to consumer electronics.

Semiconductors, or chips, are the building blocks of computers. They are now made using light to etch circuits onto silicon wafers. The most advanced commercial chips available can store one million bits

of information, or about 62 typed pages. Experts think the limit to such chips is 16 million bits.

The developing technology, called X-ray lithography, can make "denser" chips that scientists think will ultimately be able to store a thousand times more data. Such computing power is now available only with the largest IBM mainframe, which occupies several refrigerator-sized cabinets. The new chips would be about the size of a fingernail.

The U.S. experts are urging the creation of a national research program to insure that American manufacturers are not shut out of the world semiconductor market. Such a program might work through or in parallel with Sematech, the joint research and development effort set up last year by the Defense Department and the semiconductor industry.

The technology is considered too expensive for companies to develop alone. The Japanese have already set up a joint industry-government program that will spend nearly \$1 billion on X-ray lithography.

In contrast, American semiconductor experts said the United States has spent \$50 million to \$100 million and is planning to spend an additional \$100 million.

So concerned are officials at International Business Machines Corp. that they have approached some American chip makers and offered to share costly equipment for IBM's X-ray technology research. "Investment in this vital technology is not a matter of choice, and it must happen soon," said Jack D. Kuehler, IBM vice chairman and the company's highest-ranking engineer. "Other players in the industry, particularly in Japan, have already discovered this and are on their way."

"It's a shame the other companies don't see the handwriting on the wall," said Erich Bloch, director of the National Science Foundation. "It's as shortsighted as the automobile industry. Ten years

See X-RAY, Page 11

PLO Seeking Broad European Support

By Edward Cody Washington Post Service

GENEVA — On the eve of a UN General Assembly session convened to hear Yasser Arafat, the Palestine Liberation Organization sought broad European support Monday for resolutions reinforcing its recent declaration of a Palestinian state in Gaza and the West Bank.

The resolutions, being negotiated by PLO and other Arab officials, were designed to enhance the diplomatic momentum sought from Mr. Arafat's increasingly explicit recognition of Israel and what an aide said would be a "historic" speech Tuesday before the General Assembly, diplomatic sources said.

Mr. Arafat's chief spokesman for the West, Bassam Abu Sharif, was reported Monday to have expressed hope that the speech would remove the obstacles to U.S.-PLO contacts. The United States has long refused to deal with the organization until the PLO clearly recognizes Israel's right to exist and renounces terrorism.

Yedioth Ahranoth, a Tel Aviv newspaper, reported Mr. Abu Sharif to have said by telephone: "Mr. Arafat will explain to the entire world the significance of the historic decision during the Palestine National Council meeting in Algiers, which was mainly accepting UN resolutions that mean the right of the state of Israel. The aim of the PLO is to establish a Palestinian state alongside Israel with in-

ternational security guarantees for both sides."

A European diplomat said most European countries were ready to make a gesture toward Mr. Arafat and his organization in reaction to the council's decision Nov. 15 to accept key UN resolutions that recognize Israel's right to exist within secure boundaries. Mr. Arafat took that policy a step further last Wednesday, saying the council's decision means that the PLO recognizes the state of Israel.

At the same time, European countries have made it clear they are unwilling to back PLO-inspired resolutions judged as extreme, the diplomat said. As a result, European and moderate Arab governments have been counseling PLO officials to accept soft resolutions acceptable outside the bloc of Third World and Arab nations that traditionally support the PLO cause, sources here said.

With the support of these countries, the PLO has won almost annual General Assembly resolutions favorable to its cause, most of them subsequently ignored. Because of the international spotlight focused on Mr. Arafat's General Assembly appearance and his recent shifts, however, this year's assembly debate on the Palestinian question has taken on added importance.

The United States, which precipitated the decision to convene the assembly here by recently refusing Mr. Arafat a visa, was considered unlikely to back any of the PLO resolutions.

See UN, Page 2

Kiosk

Marine Colonel Is 'Sentenced'

BEIRUT (AP) — The kidnappers holding a U.S. Marine lieutenant colonel, William R. Higgins, said in a statement released Monday they had "sentenced him to death" as a spy for Israel. Colonel Higgins is a part of the UN peace-keeping force in Lebanon.

A typewritten Arabic statement signed by the Organization of the Oppressed on Earth said that "it has been proven by clear-cut evidence that he and his American team of observers are guilty" of providing accurate and detailed military and security information about resistance fighters, their positions and movements.



Elisabeth Kopp, Swiss justice minister, resigned amid a financial scandal. Page 6.

General News

For the U.S. military, has enhanced security been worth the cost? Page 3.

Table with 2 columns: Dow Jones, Dollar in New York. Values: Down 3.91, DM 1.7415, Pound 1.8425, Yen 122.88, FF 5.954

Rite of Passage: The Bush Clan Won't Stay 'Just Folks' Much Longer

By Maureen Dowd New York Times Service

WASHINGTON — Just as Amy Carter once discussed nuclear war with her father, the president, so Dorothy Bush LeBlond offers her father advice on matters of importance.

There was the time right after the election when she was at home in Cape Elizabeth, Maine, watching the Cable News Network, and she saw the president-elect body-surfing in Florida. She called him and advised him to buy a more presidential bathing suit.

"They showed him from the back, diving into the waves," recalled the shy 29-year-old, a bluish in her voice. "I said, 'Dad, I hate to tell you, but your bathing suit was sinking, and it was showing a little more than we wanted to see.'" The president-elect laughed with delight at the dauntingly concern.

With some embarrassment and some humor,

George Bush's family is adjusting to its new celebrity, a fame that arrived belatedly after long years in the shadows with the self-effacing vice president. Family members are elated, of course, but they also sound an apprehensive note.

"We just came leaping out into the public glare," said Nancy Ellis, Mr. Bush's sister. "We didn't particularly want it."

Once again, an American family is about to undergo a singular and daunting experience, coming under a microscope that has often turned the lives of first families into a national soap opera complete with feuds, peccadilloes and self-promoting relatives.

From the time Mary Todd Lincoln was suspected of being a Confederate spy to Billy Carter's introducing "Billy Beer" and Patti Davis's astrident roman à clef about growing up in the Reagan family, presidents have had problems

curbing their rebellious, jealous, greedy or mischievous kinfolk.

As John Ehrlichman, Richard Nixon's aide, wrote: "A president's staff can get geared up to handle almost every sort of foreign or domestic crisis, but none has coped successfully with the problem of their boss's wife, mother, brothers, sisters and children."

The Bushes concede they have a family flaw. "We're all pretty thin-skinned," said Jeb Bush, at 35 the president-elect's second-oldest son. There seems to be no obvious candidate for black sheep although Marvin, Jeb's 31-year-old brother, said daily that "a few people are jockeying for the position."

The family seems conscious of the potential pitfalls. Members promised there will be no Bush signature tennis rackets or topiders or racy appearances on "Saturday Night Live" in the tradi-

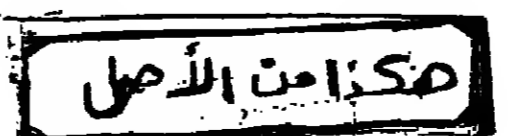
tion of Ron Reagan Jr., who once appeared on the program in his skivvies. William Bush, said he has been living by "very clear commercial guidelines" ever since his brother became vice president. "I don't place telephone calls to the 202 area code in Washington on my personal behalf or on behalf of clients to talk to anybody in George Bush's office," said the St. Louis insurance man.

"And we don't go out and talk about things that affect the president-elect's life without him knowing about it," he said. "Since he returns every phone call, all we need to do is call and say, 'I'd like to speak at the church and say blah, blah, blah' and he'll say 'O.K.' or 'Gee, I wish you wouldn't.'"

After falling ill in 1986 with ulcerative colitis, an inflammation of the colon, Marvin Bush had a life-saving operation in which his body wastes were rerouted to a pouch outside the body. He has become a counselor for people who need such surgery and are afraid of how it will change their lives. "I don't mind using my dad's name and accomplishments to help with something like that," he said.

There are a lot of Bushes, so many that they're taking over a hotel near the White House for the inauguration festivities. Children, grandchildren, aunts, uncles, brothers, sisters, cousins, nieces, nephews, in-laws — Bushes of every size and age and from every part of the country will be checking into the Jefferson Hotel.

The clan is headed by the president-elect's mother, Dorothy Walker Bush, who is in her late 70s. See FAMILY, Page 2





# 36 Die in Collision Of 3 Trains During London Rush Hour

**By Warren Getler**  
*International Herald Tribune*

LONDON — At least 36 people were killed and more than 100 injured early Monday in a three-train collision on the outskirts of London.

The crash occurred shortly after 8 A.M. on one of the busiest stretches of track leading into London, a route used by as many as 220,000 commuters each day.

A government investigation is under way to identify the cause of the crash, with initial assessment by officials pointing to a lapse — human or mechanical — in the track's signaling system.

Emergency teams spent much of the day removing bodies from the severely tangled wreckage.

Chris Jackson, an editor with Railway Gazette, an independent trade publication, said that the signal system in the area had been under repairs for more than two years.

"All the old signal and control equipment in the Waterloo area, which includes Clapham Junction," he said, "is being replaced. It is possible that during one of the replacement phases, something may have been connected up wrongly."

The police and British Rail officials said that an oncoming passenger train from Poole in Dorset, traveling at about 40 mph (about 65 kph) and carrying an estimated 600 commuters, slammed into the rear of a stationary passenger train filled with an estimated 800 persons.

The stationary train, on route from Basingstoke to London's Waterloo station, had been waiting for clearance at an automated British Rail signal station along a sharp bend in the track less than a mile from the Clapham Junction station in south London.

Minutes after the impact, which derailed a number of cars from both trains onto an adjacent track, an empty passenger train traveling in the opposite direction rammed into some of the derailed cars.

A guard from the empty train reportedly prevented a fourth oncoming train from hitting the wreckage.

Stuart Gallie, 24, said he was in the rear car of the stationary train when it was struck. Mr. Gallie, who was not hurt, said: "We never heard the other train. When we were hit, we must have gone 60 feet through the air in the carriage. We landed on top of a hill, leaning against the train that hit us. I think two people died in our section."

Mr. Gallie, a recruitment consultant, said all those who were able had hoped to pull the injured from the wreckage. Police helicopters evacuated the seriously injured.

"It was horrific," said Paddy Vinney, 43, another survivor from the rear of the Basingstoke train.

"But there was no panic," The Emanuel School, a boys' school, was converted into a rescue center for the injured.

British Rail has recently come under criticism for overcrowding. Michael Forlino, minister of state for transport, said the government inquiry into the cause of the disaster and its high death toll would examine the number of passengers traveling on the two trains.

"We have standards for overcrowding on trains," he said, describing the accident as "extremely grim and distressing."

The opposition Labor Party's spokesman on transport, John Prescott, asked whether the government was aware of the latest figures in an official report that "deaths and major injuries have increased by 62 percent over five years on British Rail, collisions by 18 percent and derailments by 6 percent."

Mr. Prescott asked for a thorough and independent investigation on all aspects of safety on the network.

The police described the accident as the worst involving British Rail services in more than two decades.

Previous train and Underground accidents resulting in heavy casualties include the King's Cross Underground blaze in November last year, killing 31; the Moorgate Underground collision in 1971, killing 42; the Hithergreen train collision in 1967, leaving 49 dead; the Lewisham train collision in 1957, killing 90, and a three-train crash at Harrow in 1952, which left 122 dead.



FIGHTING BACK — An Arab woman grabs the truncheon of a mounted Israeli policeman in East Jerusalem Monday during clashes between police and Arab students near the bus station.

## UN: PLO Seeks Broader Support Before Arafat Speech

(Continued from page 1)

inspired resolutions, as was Israel. But the PLO's aim was to attract as many Western governments as possible to back its resolutions in an attempt to display broad support that would isolate the United States and Israel.

In addition to accepting the UN resolutions clearly for the first time, the council in Algiers proclaimed a Palestinian state, despite Israel's control over the entire territory where such a state could take on a concrete existence.

An Arab diplomat said the PLO's suggested General Assembly resolutions were changing rapidly as a result of contacts with European and other Arab governments. Since they do not have to be voted before Wednesday or Thursday, the resolutions were expected to evolve further before being presented to the assembly, he added.

Diplomatic sources said the original proposals included:

- Recognition of the Palestinian state as a UN observer.
- A General Assembly call for UN peacekeeping forces to take over security duties from the Israeli Army in Gaza and the West Bank.
- A General Assembly call for an authoritative international conference to reach a Middle East peace settlement.

## Soviets Say No More Medical Staff Is Needed

*Compiled by Our Staff From Dispatches*

GENEVA — The Soviet Union said Monday that no more medical workers were needed for Armenia and instead appealed for cranes and equipment to cut through concrete and steel to reach those trapped since last week's earthquake.

The appeal was sent through the UN Disaster and Relief Organization at a meeting of donor nations and relief agencies to coordinate assistance.

"There is no need for medical staff, special motor vehicles, tents or warm clothing," said Alexei Joukov, a Geneva-based Soviet diplomat. "All this has now been airlifted in in sufficient quantities."

Two Israeli military planes carrying medical relief teams to Armenia were turned back in mid-flight on Monday after Soviet officials said they did not need that kind of aid.

An army spokesman in Tel Aviv said the C-130 Hercules transport planes had returned to Tel Aviv and would be reloaded with medical supplies and take off again as soon as possible.

The aircraft were carrying 46 army medical workers, a military field hospital, power generators and equipment.

Mr. Joukov said that besides cranes and drills, specialized medical equipment was needed such as mobile medical units and equipment for two 500-bed hospitals.

Many of the victims of last Wednesday's quake were crushed by masonry. Kidney damage was one of the most serious problems facing medical teams. For this reason, artificial kidneys and dialysis machines were needed, Mr. Joukov said.

In Ankara, the Soviet Embassy issued a list of medicines and other medical equipment needed in Armenia.

The list included antibiotics, equipment for blood and other liquid transfusions, instruments to relieve respiratory problems, ultrasonic diagnostic equipment, portable anesthesia instruments, monitors for vital body functions and portable dialysis machines.

The secretary-general of the League of Red Cross and Red Crescent Societies, Paer Stenbeck, told the meeting that perhaps as much as 50 million Swiss francs (\$35 million) had so far been pledged or sent through the Red Cross in 25 countries.

He said 26.3 million francs was in cash.

The league also said the Armenian Red Cross has provided the victims, shoes and toys for 29,000 children.

Mr. Joukov said heavy-duty tents for 300,000 people were available and others were being housed in other buildings. (Reuters, AP)

## WORLD BRIEFS

### Sinhalese Kill 55 in Wave of Attacks

COLOMBO, Sri Lanka (Combined Dispatches) — Sinhalese extremists killed at least 55 people Sunday and Monday in attacks that are part of their drive to topple the government and prevent a presidential election Dec. 19, officials said Monday.

The police and military officials said most of the slayings were in the two southern districts of Galle and Matara, strongholds of the People's Liberation Front. It was the highest 24-hour death toll yet in the drive by the extremists to oust the government of President Junius R. Jayawardene. The front contends the government is incapable of conducting a fair election.

Also on Monday, leaflets from anti-government militants ordered newspapers not to print anything about the election, according to a spokesman for the four publishing companies. The government-owned Lake House Group and the three independent companies — the Independent Newspapers, the Upali Group and Express Newspapers — have vowed to defy the warning, the spokesman said. (UPI, AP)

### Ishaq Khan Gets Pakistan Presidency

ISLAMABAD, Pakistan (AP) — The incumbent, Ghulam Ishaq Khan, easily won his first full five-year term as president Monday, and Prime Minister Benazir Bhutto won her first parliamentary vote of confidence.

The federal election commissioner, S.A. Nusrat, said on television that Mr. Ishaq Khan swept 78 percent of the presidential vote. Of 446 valid electoral votes cast, Mr. Ishaq Khan polled 348 to 91 for his nearest rival, the veteran politician, Nawabzada Nasrullah Khan, the commissioner said. Mr. Khan has been acting president since Mohammed Zia ul-Haq was killed in a air crash in August.

Miss Bhutto's Pakistan People's Party also scored an easy victory, 148 votes to 55, in the first test of its strength in the new National Assembly, the country's lower house.

### A Belgian Teacher Is Killed in Beirut

BEIRUT (Combined Dispatches) — Guzman using silenced-equipped pistols shot and killed a British-born Belgian teacher Monday in Moslem West Beirut, the police said.

They identified the victim as Arthur Van Nieuwenburgh, 65, an English language teacher who worked at West Beirut's Rasheed School of Languages and the Moslem-controlled Malkeed Cultural Center. The area is controlled by Syrian troops who moved into West Beirut in February 1987 to end three years of militia lawlessness and chaos.

"We are astonished; we don't believe it was directed at Belgians," said the Belgian chargé d'affaires, Guebert Bion. "We can't mention any reasons for it." Mr. Nieuwenburgh was walking from the Malkeed Cultural Center, formerly the British Council, to his home in the Mansara district when he was shot 11 A.M., the police said. (AP, UPI, Reuters)

### Coats Is Picked to Fill Quayle's Seat

INDIANAPOLIS (AP) — Representative Dan Coats, a conservative Republican who was recently elected to a fifth term in Congress, was named Monday to fill the Senate seat vacated by Vice President-elect Dan Quayle.

Governor Robert Orr of Indiana said he was appointing Mr. Coats, 45, a former Quayle aide, in part because Mr. Coats was ready to "hit the ground running" and would be a strong candidate for election to the seat in 1990. Mr. Coats will serve as an appointed senator until a special election is held in 1990 for the remaining two years of Mr. Quayle's term.

An election for a full six-year Senate term will be held in 1992.

Mr. Coats was elected in 1980 to fill the 4th Congressional District seat Mr. Quayle wanted to run for the Senate. He worked in Mr. Quayle's congressional office in Fort Wayne, Indiana, from 1976 to 1980, and was known to have Mr. Quayle's backing in the jockeying to pick a new senator for Indiana.

### Libyans Reportedly Bombed Sudan

KHARTOUM, Sudan (AP) — Since September, Libyan crews have flown Libyan planes on daily bombing runs against rebel encampments to relieve pressure on army garrisons in two southeastern Sudan towns, Western military sources said.

Libya's deepest involvement in southern Sudan's civil war since 1986, when its planes flew similar raids over wide areas of the south, occurred as moves toward peace have heightened prospects for an end to the 5½ year conflict.

A delegation headed by Sudan's foreign and defense ministers was to leave Monday for Addis Ababa, Ethiopia, to discuss with the rebel Sudan People's Liberation Army an agreement it signed Nov. 16 with the Democratic Unionist Party, a member of Sudan's ruling coalition. The military sources said a de facto truce is holding throughout the South, except for the bombing raids and rebel action at the embattled towns of Nasir and Torit.

### For the Record

The acting mayor of Chicago, Eugene Sawyer, entered the mayoral race Sunday, citing his dedication to a revitalized Chicago and his loyalty to its first black mayor, the late Harold Washington, who he succeeded. Mr. Sawyer had been the city's longest-serving black alderman. (UPI)

A Turkish Cypriot soldier died of his wounds Monday, the day after he was shot by Greek Cypriot troops along the UN-patrolled buffer zone dividing Cyprus, Turkish Cypriot Radio Bayrak reported. (AFP)

## TRAVEL UPDATE

### Paris Remains Hobbled by Strikes

PARIS (AFP) — The Paris transportation network was again crippled by strikes Monday, despite a warning from Prime Minister Michel Rocard that the Communist-led General Confederation of Labor, or CGT, would fail to win wage concessions. The powerful union last week rejected wage offers accepted by other unions representing transportation workers and civil servants.

Air France was forced to cancel seven international flights because of strikes by ground mechanics, who have stopped work repeatedly over the past two months to press wage claims.

Time of 13 lines on the Paris Métro were closed, and service was disrupted on another two lines. Rail strikes were expected to disrupt service Tuesday. France also suffered electricity shortages Monday because of lower production by strikers at power plants.

Travel to and from Spain will be seriously affected by a 24-hour general strike on Wednesday in protest against the government's economic policies, transport officials said. The state airline Iberia canceled international flights. Only one international train will run — to Lisbon. British Airways said it was suspending flights to and from Spain. (Reuters)

(Related article on Page 6.)

## PRISON: Glasnost in the Gulag

(Continued from page 1)

which is responsible for seeing that the camps are legally administered.

Ivan R. Rakhmanin, from the procurator's office, who initially suggested a visit to Perm Camp 35, tried to cancel the trip at the last minute on the grounds that no article-70 prisoners remained there. When the trip went forward despite his objections, he said that the 62 remaining inmates were met convicted of serious crimes against the state, including treason and espionage.

Western human rights groups contend that the charge of treason and other serious offenses has also been used as a weapon against political dissent, often leading people in camps for 10 or 15 years simply for trying to leave the Soviet Union.

The viceroy of camp life was broken several times when prisoners, aware that a foreign group would be visiting, bolted from assigned tasks in the camp machine shop, kitchen, and other locations to tell the visitors they had been wrongly convicted and that camp had been sprung up for the day.

Yyachaslav Cherapanov, stepping suddenly from a dimly lit room in the camp manufacturing shop, said, "Gorbachev declared there are no political prisoners anymore."

"I am a political prisoner," he shouted, as guards ordered him to return to work. Mr. Cherapanov was convicted of treason after trying to flee to Finland.

Mikhail P. Kazachkov, confined to the camp clinic, leaned out a small window into the brittle cold to say, "We want to talk to you. It is important."

Camp authorities reported that Mr. Kazachkov was suffering from the flu. Other prisoners said the illness was political and that he and several other men in the ward were considered too outspoken to be exposed to outsiders.

Later, as the camp commandant, Lieutenant Colonel Nikolai M.

## ETHNIC: Armenian Clash

(Continued from page 1)

with Armenian officials in Yerevan, Tass reported Monday.

Soviet officials heatedly denied allegations Monday that some Armenians said and some Armenian children were being taken to be placed with Russians and other non-Armenian families.

kov, who was shown on television touring devastated Armenian villages, was told at one stop of a relief team that refused to deliver food to famine-stricken villages because all the local officials who could sign for the shipment had been killed.

"Sure, people are exhausted," said the government newspaper Izvestia on Monday night. "Nothing like this has ever happened before, but shandors are inevitable. But how long must we wait for orders in extreme situations?"

While lauding the heroism of the rescue effort, Izvestia lambasted official bureaucrats who delayed the burial of the dead by insisting on filling out paperwork.

The press also stepped up its attacks on construction officials who permitted erection of buildings that collapsed quickly in a known earthquake zone.

Pravda contended that the inadequate buildings, like many other failings of the Soviet system, could be attributed to Leonid I. Brezhnev, the former Soviet leader whose 18 years in power are now referred to as "the period of stagnation."

"Practically everything constructed during the years of stagnation collapsed," Pravda wrote.

Pravda said many buildings seemed to have more sand than concrete in their construction materials, and hinted that those who ignored the warnings of seismologists might be criminally liable.

President Mikhail S. Gorbachev called for an investigation to determine who constructed high-rise buildings in defiance of seismologists' advice, and to discover why many of the buildings were made of cement diluted with too much sand.

"It means that cement was being stolen. By whom?" Mr. Gorbachev asked Sunday during a meeting

with Armenian officials in Yerevan, Tass reported Monday.

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## QUAKE: Rescue Efforts Criticized

(Continued from page 1)

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## 3 Van Gogh Works Stolen In Holland, Police Report

*The Associated Press*

OTTERLO, The Netherlands — Three paintings by Vincent van Gogh were stolen from the Kröller-Müller National Museum here late Monday, police reported. The museum has one of the largest Van Gogh collections in the world, the report said.

The three paintings that vanished included one of three versions of the "Potato Eaters," "Red Sunflowers" and "Wheatfield with Yellow Sky," police said. No estimate on their value was immediately available.

The museum's alarm was triggered around 9 P.M., apparently after a window was broken. A police spokesman in nearby Ede said that "one or more paintings" had been stolen from the museum.

A painting by Nicholas Poussin, the 17th-century landscape artist, sold at auction for \$1.1 million (€1.4 million) Monday, 20 years after the Louvre Museum bought it for just 2,200 francs (€1,366), launching a long legal battle. The Associated Press reported from Paris.

The painting, "Olympus and Marsyas," executed between 1625-1628, was put up for sale by its owner, Suzanne Saint-Aroum, after a French court forced the Louvre to take the work out of storage and give it back to her.

It was sold at the Drouot-Montaigne auction house to a Swiss buyer, who bid on the painting by telephone.

## When Is It Too Easy to Fly an Airplane?

By William Stockton  
*New York Times Service*

NEW YORK — The Airbus A-320 is an airplane with such advanced automatic systems that aviation experts are worried that pilots may become mentally disengaged from the controls and be unprepared to react with the speed necessary in an emergency.

The experts say pilots of the A-320 can almost become observers if they choose, watching computers fly the airplane more than flying it themselves. Pilots, meanwhile, generally welcome the new technology, which lessens their workload and reduces the possibility of error.

The plane's technology will be one issue considered as the U.S. Federal Aviation Administration prepares to certify the A-320 this month, clearing the way for service in the United States by the middle of 1989.

A team of engineers from Airbus Industrie of Toulouse, France, manufacturer of the A-320, and a group of French government aviation officials are due to begin a round of meetings with FAA officials in Seattle to iron out final technical questions before certification is granted.

The A-320 has already received a joint European certification from Britain, France, West Germany and the Netherlands. The plane, which carries 150 to 160 passengers and is designed mainly for domestic service, has also been certified in Australia. About 24 airlines have placed 645 orders and options for the plane, a spokesman said.

The computers in the A-320 have been programmed to prevent pilots from flying in ways that might lead to accidents. But this feature, the envelope protection system, also makes it impossible to take many of the extreme and heroic actions that have prevented accidents and become a staple of aviation lore.

No one is suggesting that the airplane is unsafe, and pilots who have flown the A-320 describe its cockpit and controls in glowing terms. When an Airbus crashed at an air show in France in June, the new technology was immediately suspected, but it was later exonerated and given credit for preventing a more serious crash.

Yet the appearance of the A-320, along with an advanced generation of the Boeing 747 jumbo jet that can be programmed to fly from California to Tokyo with virtually no effort from the pilot, has given a new urgency to questions about the design of airplane cockpits and the changing role of pilots.

Clay Foushee, a researcher based at the National Aeronautics and Space Administration research center in Mountain View, California, said there was concern that in time pilots might not have the same grasp of the airplane's systems as in more traditional craft.

"If something goes wrong," asked Mr. Foushee, "will the pilot be in the same position to intervene as he would be in a more conventional airplane where his brain is more connected to the system?"

Such questions have been building for several years, spawned by the evolution of what pilots call the "glass cockpit," in which computers and their screens have replaced many traditional dials and gauges.

In airplanes like the Boeing 767 and 757 and the McDonnell Douglas MD-88, computers monitor aircraft systems, reporting on their status only if something is wrong or the pilot makes an inquiry. In older planes, the pilot had to scan dozens of gauges constantly to check the status of engines and hydraulic and electrical systems.

In the glass cockpit, computers plan flights and guide the airplane from one navigation station to another, automatically keeping the plane on course.

Information like airspeed, compass heading, altitude and position are monitored by a computer and displayed on a screen. In older aircraft, they were read from individual instruments. To avoid cluttering the screens, the computer is often programmed not to show certain information at times when pilots do not generally need it.

The experts' concerns about cockpit design have particular significance for the Airbus A-320. For the first time, an airliner will be controlled without the steel cables and hydraulic devices that the pilot manipulates from the control wheel in the cockpit.

This new control program known as fly-by-wire is widely used in military aircraft but has never been used in commercial airliners. This is the technology that makes possible the envelope protection system, under which the computer controls are programmed to prevent pilots from making certain maneuvers that would normally be unsafe but might be needed in an emergency.

The A-320's fly-by-wire system and its computers were initially suspect last June after one of the planes crashed at an air show in France, killing three people and injuring 50. But an official inquiry later exonerated the system and said the pilot was at fault.

A spokesman for Airbus Industrie said the company expected to deliver the first A-320s in the United States in early 1989. Northwest Orient Airlines has ordered 100 A-320s and Pan American World Airways has ordered 16.

The spokesman said 13 of the jets had been delivered. Air France has taken delivery of five A-320s, but lost one in the crash. Air Inter of France and British Airways each operate three and Ansett Airlines of Australia operates two longer-range A-320-200 jets.

## FAMILY: A New Cast Shapes Up

(Continued from page 1)

80s. At the Republican National Convention in New Orleans, all five children were delegates from different states.

Now there are predictions that the Bushes will become a political dynasty like the Kennedys. George Bush's father, Prescott, was a Republican senator from Connecticut who instilled the value of public service in his offspring. The president-elect's three oldest sons, George Jr., Jeb and Neil, have all expressed interest in running for office.

George Jr., 42, was in the oil business in Texas and ran for Congress without success. He was a senior adviser in his father's campaign and has since returned to Texas, where he may run for governor in 1990. Jeb resigned his position as secretary of commerce in Florida to work on the campaign; now he's back in Miami selling real estate.

"I hope the brothers and sisters and cousins become active in politics so we can have the same impact on American politics that the Kennedy family has had," Neil, a 33-year-old Denver oilman, said recently.

But Jeb is not enamored of the comparison with the Massachusetts Democrats. "We have a great family and it doesn't need to be compared to anybody else's," he said.

William, the president-elect's brother, doesn't like the comparison either. "The Kennedys have that overtone of having vast amounts of wealth and of everyone coming up and taking their turn at an office," he said. "I think we're more like the Roosevelts."

## CRASH: Rescue Accident

(Continued from page 1)

Senior aviation official said the controller, while under strain, were well-qualified and in command of the situation.

Asked whether the authorities would halt night flights after the incidents, Mr. Panayukov said there was "no need" to do so as Yerevan airport had "all the necessary equipment for safe night flights."

Mr. Panayukov said flights were being halted according to international air traffic standards.

"If we could not ensure security, we would refuse entry into our airspace," Mr. Panayukov said.

In a less optimistic appraisal, the Novosti news agency described the situation over the airport of Yerevan as "very complex."

"Within 24 hours on Dec. 10, about 80 Soviet transport planes landed there," the agency said. "The situation in the air is tense, and words fail to describe it."

(AP, UPI, Reuters, AFP)

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# Proposals U.S. Military: Has Enhanced Security Been Worth the Cost?

## Made on Deficit

### Medicare Funds Could Be Tapped

By Paul Blustein  
Washington Post Service

WASHINGTON — Drew Lewis, the Republican co-chairman of a high-level advisory commission on the federal budget deficit, has said the government ought to be able to recover some Medicare payments from the estates of wealthy people who have died.

Mr. Lewis also said he favored substantially cutting Social Security benefits for retirees with incomes higher than \$90,000, and imposing more modest benefit cuts for those who are less well-to-do.

Mr. Lewis's comments Sunday on the NBC television program "Meet the Press" were the most specific deficit-cutting proposals advanced in public by a member of the National Economic Commission, which Congress created to propose solutions to the \$150 billion budget gap.

His ideas are sure to draw fire from groups representing the elderly, which argue that people who receive Social Security and Medicare benefits paid taxes to get the benefits and should be entitled to them regardless of income.

Even if the panel were to approve the proposals, they would not necessarily pass in Congress. Hopes for a comprehensive package on the bipartisan panel, one thought likely to exert great influence over the budget debate, have faded.

Robert Strauss, the panel's Democratic co-chairman, said in an interview that it was too early to determine the best time for issuance of the report, because President-elect George Bush had not stated his preference.

On the NBC program, Mr. Strauss also indicated his approval of several controversial proposals for shrinking the deficit. The panel, he said, ought to "think in terms of possibly taxing some of the benefits that people receive."

He said, "A fellow like me who lives at a large income, who receives Social Security today, pays no tax on a big part of it. That's crazy. He added that he "would have no hesitations" about raising excise taxes on items like cigarettes, liquor and gasoline.

Mr. Strauss hedged his comments with indications that he would favor such proposals only if it were clear that a tax increase were needed to shrink the deficit. But he indicated, in more blunt terms than he has in the past, that he expected higher taxes.

"I have been looking only at spending cuts," he said. "I must tell you that, in my judgment, I have not found sufficient spending cuts to make up the shortfall."

Mr. Lewis agreed that tax increases aimed at consumer items such as gasoline would be the most preferable tax option.

But Mr. Lewis said that he and other Republicans on the panel wanted to reduce federal spending. He said he favored looking first at Mr. Bush's "flexible freeze" proposal, which would curb federal programs by holding their growth down to the rate of inflation.

Beyond that, he said, "I think there are areas which we may call taxes but they're not taxes." He mentioned rebates to the federal government from people who make more than \$90,000 a year in retirement and who are getting Social Security payments or are on Medicaid-Medicare. "And if they have a large estate," he added, "why not rebate that money to the federal government?"

Social Security provides retirement benefits and disability payments. Medicare is the federal health program for the elderly and disabled. Medicaid is the federal-state health program for the poor.

By Andrew Rosenthal  
New York Times Service

WASHINGTON — After a military buildup that cost the United States \$2 trillion, President-elect George Bush will inherit armed forces that are better educated, better trained and generally better armed than when Ronald Reagan won the White House in 1980.

But the largest U.S. peacetime rearmament leaves Mr. Bush with many of the same problems that existed eight years ago, including lingering shortages in navy torpedoes, army artillery shells and air force missiles.

And Mr. Reagan's most widely recognized achievement, the improvement in military personnel, is the most likely target for budget cutters, particularly in view of the announcement last week of

planned troop cuts by the Soviet leader, Mikhail S. Gorbachev. More broadly, debate continues on over a fundamental question: Has the enhanced security been worth the cost and will it still keep the country safe now that the days of increasing military budgets are a fading memory?

Caspar W. Weinberger, who presided over the Reagan buildup as secretary of defense for more than six years, said the country had achieved its basic rearmament objective.

"There is now a correct perception of America as a country that has not only gained great military strength but has also regained the resolution and the will and the determination to use it when it is absolutely necessary," he said.

Representative Les Aspin of Wisconsin, the Democratic chair-

man of the House Armed Services Committee, took a more critical view, suggesting that the Reagan administration's buildup has not been conducted with a coherent overall strategy and that it has left the nation with military programs it cannot afford and with gaps in its military structure.

"The sorry truth," Mr. Aspin said in a speech last week, "is that we've never done a decent job of selecting a national security policy, of matching ends and means, of what it would cost to do it."

The army has a new generation of tanks and rocket launchers, the navy has more ships, and the air force has greatly expanded its stock of fighters.

But the military has not filled some critical gaps, including those in the number of ships and planes

needed to carry American fighting forces to distant battlefields, in military housing and child care, in combat medicine and in munitions stockpiles.

In addition, after spending about \$170 billion on strategic nuclear forces, the debate over which new long-range missile to buy and how to protect it from attack has not been resolved.

The old rivalry for money among the services seems certain to worsen as budgeting gets tighter, and there is debate over whether the country can afford to keep running its improved fighting machines, much less proceed with some of the most expensive weapons programs like the Stealth bomber and a new attack submarine, the Sea Wolf.

Under Mr. Reagan, military budgets climbed steadily at first.

By the 1985 fiscal year, he had nearly doubled spending, from \$146 billion in 1980 to \$264 billion, although the increase amounted to 53 percent after accounting for inflation.

But the past four defense budgets have declined when adjusted for inflation, with spending for the current fiscal year estimated at \$300 billion. Although Pentagon officials are hoping for a 2 percent increase next year after inflation, Mr. Bush has said the military might only keep pace with inflation, and there is talk in Congress about actual cuts.

The volunteer armed forces stands out as one achievement on which there is wide agreement.

According to the Defense Department, only 65 percent of all recruits were high school graduates

in 1980. By 1987, the last year for which figures are available, that figure had risen to 93 percent.

In the army, which has the hardest time finding qualified recruits, the percentage of high school graduates rose from 54 percent to 91 percent. Retention rates also are higher.

Another positive development, said Jay P. Kosminsky, a military analyst for the conservative Heritage Foundation, is an increase in flying hours for pilots in the air force, to 18.8 hours a month from 15.6 hours.

Steaming hours for navy ships also rose. The percentage of the time that planes are ready for combat has increased in the air force to 78 percent in 1987 from 66 percent in 1980, Mr. Kosminsky said.

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### Mexico Vows Crackdown On Drugs

By Larry Rohter  
New York Times Service

MEXICO CITY — President Carlos Salinas de Gortari has promised a visit to the U.S. House of Representatives that his new government will step up its war against drugs with efforts that will "make life miserable for drug traffickers," members of the delegation say.

The chairman of the House Select Narcotics Committee, Representative Charles B. Rangel, Democrat of New York, said Mr. Salinas and members of his cabinet had told the delegation that Mexico would expand its efforts beyond drug eradication and interdiction to root out official corruption and to strengthen laws that would limit the ability of powerful drug traffickers to operate in the country.

"We were not so arrogant as to ask for specifics," Mr. Rangel said at a news conference over the weekend. "But we were indeed overwhelmed by the specifics that were given to us, and more importantly by the depth of that commitment."

In the past, Mr. Rangel has often been critical of what he has called Mexican government inaction and corruption on the drug issue.

In recent years, dramatic increases in drug production have made Mexico "the largest single-country source of the heroin and marijuana imported into the United States," the State Department has said.

Mexico is also emerging as an increasingly important transshipment point for cocaine on its way to the United States from South America.

During the administration of Mr. Salinas's predecessor, Miguel de la Madrid, drugs were often a point of contention between the United States and Mexico, with American officials charging that Mexico was not doing enough to stop the production and shipment of drugs.

Mr. Salinas, whose six-year term began Dec. 1, has said he believes that combating the drug traffic has become "a question of national security" for Mexico.

In his inaugural address, he said that he would set up a special drug-fighting unit within the office of the attorney general, which is in charge of government efforts, and that he would "pursue with redoubled energy those who promote trafficking, whoever they may be."

Mr. Salinas's strong language has been underlined somewhat by his decision to name Enrique Alvarez del Castillo as his attorney general.

Mr. Alvarez del Castillo was governor of the state of Jalisco in 1985, when a U.S. Drug Enforcement Administration representative, Enrique Camarena, was abducted by the Jalisco state police and handed over to drug traffickers.

The traffickers then tortured and murdered Mr. Camarena and a drug Enforcement Administration pilot.

### 62 Dead in Mexico City Fireworks Blaze

By Larry Rohter  
New York Times Service

MEXICO CITY — The death toll rose to 62 on Monday in a fireworks explosion that devastated a crowded marketplace Sunday, and authorities ordered some rock-

### El Salvador President Rallies Party

By Douglas Farah  
Washington Post Service

SAN SALVADOR — A surprising physical and political comeback by President José Napoleón Duarte is spearheading a resurgence by the Christian Democratic Party in El Salvador's presidential election campaign, according to recent polls and political analysts.

After legislative and municipal elections in March, in which the rightist Nationalist Republican Alliance of former army Major Roberto d'Aubuisson trounced the Christian Democrats, Mr. Duarte's party split and appeared on the verge of collapsing as a major political force.

Mr. Duarte's personal approval rating had dropped to below 25 percent, according to his own party's polls, and ARENA, capitalizing on the Christian Democrats' image as being corrupt and incompetent, appeared assured of winning the presidency next March, too.

But Mr. Duarte, 63, who has inoperable cancer, has rebounded remarkably, and polls show that he is now considered an asset rather than a liability to his party, with an approval rating above 50 percent.

Although elections are four months away, the trend is encouraging for U.S. officials, who have made Mr. Duarte and the Christian Democrats the linchpin of a policy that seeks to isolate Marxist-led rebels and control the violent right by building a centrist democratic process.

The campaign officially kicked off last month, and the United States, which has poured \$3 billion in economic and military aid into El Salvador since 1980, views the elections as crucial to its policy in Central America. While saying publicly it will support whoever wins fairly, U.S. officials have done little to hide their fears that a victory by ARENA could set back the process.

After having much of his stomach removed, Mr. Duarte lost most of his hair and dropped from 210 pounds (95.2 kilograms) to 136; he

### Blasts Rip Through Stalls

By Larry Rohter  
New York Times Service

The fire began at mid-afternoon at the Mercado Market, south of central Mexico City, while the streets were crowded with Christmas shoppers. Witnesses said the first explosions took place in stalls

### search for victims in the rubble

selling fireworks, which were set up in a narrow side street adjoining the city's Candy Market.

"There was a loud explosion, and then rockets started flying all over the place," said Sylvia Leon Rivera, owner of a candy stall. "Then there were a lot of fires, and people started running this way and that."

Red Cross officials at the scene said 14 of the dead were children and 25 were women. The officials said that all of the victims discovered as of Sunday evening had been burned to death.

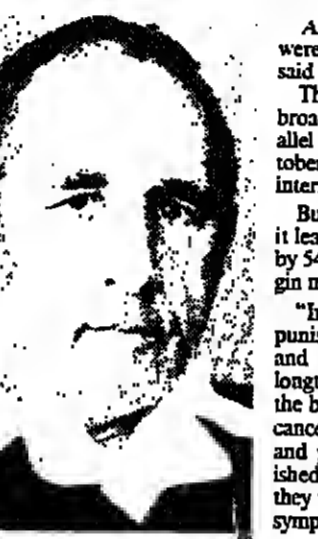
The poor people crowded into the storehouses and were trapped there, said Juan Said Hozome, rector-general of the Mexican Red Cross. "We have found three groups of at least a dozen people, all of them unable to escape."

From the side street, the fire spread to a two-story building of shops selling candy and fireworks that had been illegally stored. It also affected the Candy Market, a multistory building that has apartments, and at least three other commercial and residential buildings.

On the streets around the market, Christmas ornaments, shoes and boxes of crayons littered the ground. Up and down the block where the fire started, windows were blown out and stalls were blackened and twisted by flames.

The sale or possession of fireworks is prohibited in the capital because of the danger of fire and explosion. Nonetheless, fireworks are a popular part of celebrations marking the Day of the Virgin of Guadalupe, whose feast day was Monday, and Christmas.

A group of vendors at the market said that despite the prohibitions, vendors sell fireworks after making payments to police and other city officials.



Mr. Duarte during treatment at a military hospital in Mexico.

looked lost in his suits and was barely able to speak above a whisper.

But after three rounds of chemotherapy, he has added about 20 pounds and recovered his voice, holding a series of rallies in recent weeks in his old, fiery style.

Even after being hospitalized briefly for complications from chemotherapy in Mexico City this month, Mr. Duarte is still much improved, according to his physicians. "Doctors tell me we are isolating the cancer, and that gives me strength and energy to isolate and corner the enemies of the people," he shouted at a rally last week.

A nationwide poll of 1,004 people conducted last month by the Jesuit-run University of Central America, showed the ARENA candidate, Alfredo Cristiani, with 26.2 percent, followed by Fidel Chavez Mena of the Christian Democrats with 21.3 percent. In third place, with 6 percent, was the leftist coalition known as the Democratic Convergence, participating in elections for the first time since the nine-year-old civil war began.

### Argentina Will Give Military 20 Percent Raise and Bonus

By New York Times Service

BUENOS AIRES — Trying to restore discipline in the army a week after a rebellion, the Argentine government has agreed to give all members of the armed forces salary raises of 20 percent and bonuses equivalent to about \$115, officials said Monday.

A congressional leader said the raise had been under consideration before the rebellion but a top general said it was part of an agreement the army leadership struck with the rebels to end the uprising.

President Raúl Alfonsín claimed last week that the government made no concessions to end the rebellion by 855 men in several units in the Buenos Aires area. But shortly after Colonel Mohamed Ali Seineldin, the rebel leader, surrendered Dec. 6, Mr. Alfonsín gave a speech blaming the uprising on the country's budget crisis.

César Jaroslavsky, a congressional leader of Mr. Alfonsín's Radical Civic Union party, said the raise stemmed from "an earlier complaint" by the armed forces. General Humberto Ferrucci, commander of the Fifth Army Corps, said Monday the raise and bonus were part of an "agreement" between the rebels and General José Dante Coridi, the army chief of staff.

### Southeast Asia Opium: Prime Time

By Steven Erlanger  
New York Times Service

BANGKOK — With the best opium growing conditions in years occurring while the Burmese Army is preoccupied with political dissent, the flow of Southeast Asian opium and heroin to the rest of the world may increase by as much as 20 percent over last year, Western diplomats say.

Last year, from 25 percent to 30 percent of the heroin used in the United States came from Southeast Asia, up from about 18 percent in 1987, the diplomats said. Almost 70 percent of the heroin used in New York City is Southeast Asian, up from about 5 percent five years ago, according to the U.S. Drug Enforcement Administration.

In Burma alone last year, about 1,200 tons of raw opium were harvested, with another 100 tons to 200 tons harvested in Laos and about 27 tons in Thailand. The crops yielded about 140 tons of heroin, making Southeast Asia the

world's largest and highest-quality source of the drug.

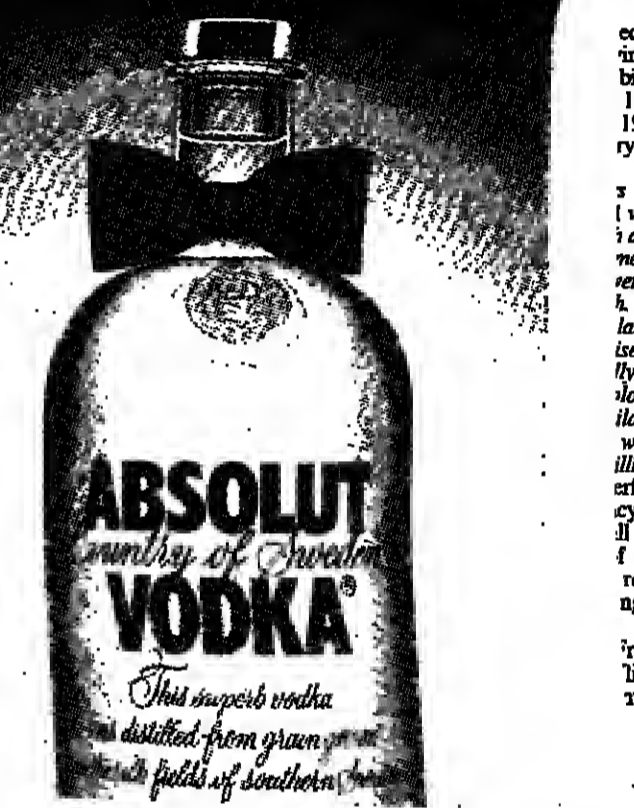
In Burma, the military government that took control in a coup Sept. 18 has been concentrating on silencing pro-democracy demonstrations centered in Rangoon, the capital, rather than on its campaign against the insurgent ethnic minorities that ring Burma's borders. Many of the minorities, which have been fighting for autonomy for decades, finance themselves through opium, a traditional crop among the hill people.

Western condemnation of the government's methods of suppressing the wave of dissent has also meant a suspension of economic and military aid, including about \$6 million to \$8 million to eradicate opium crops. The diplomats said the suspension of such aid did not mean the Burmese Army would not try to interdict shipments, but they admitted it was likely that opium growers and shippers would be able to operate with impunity.

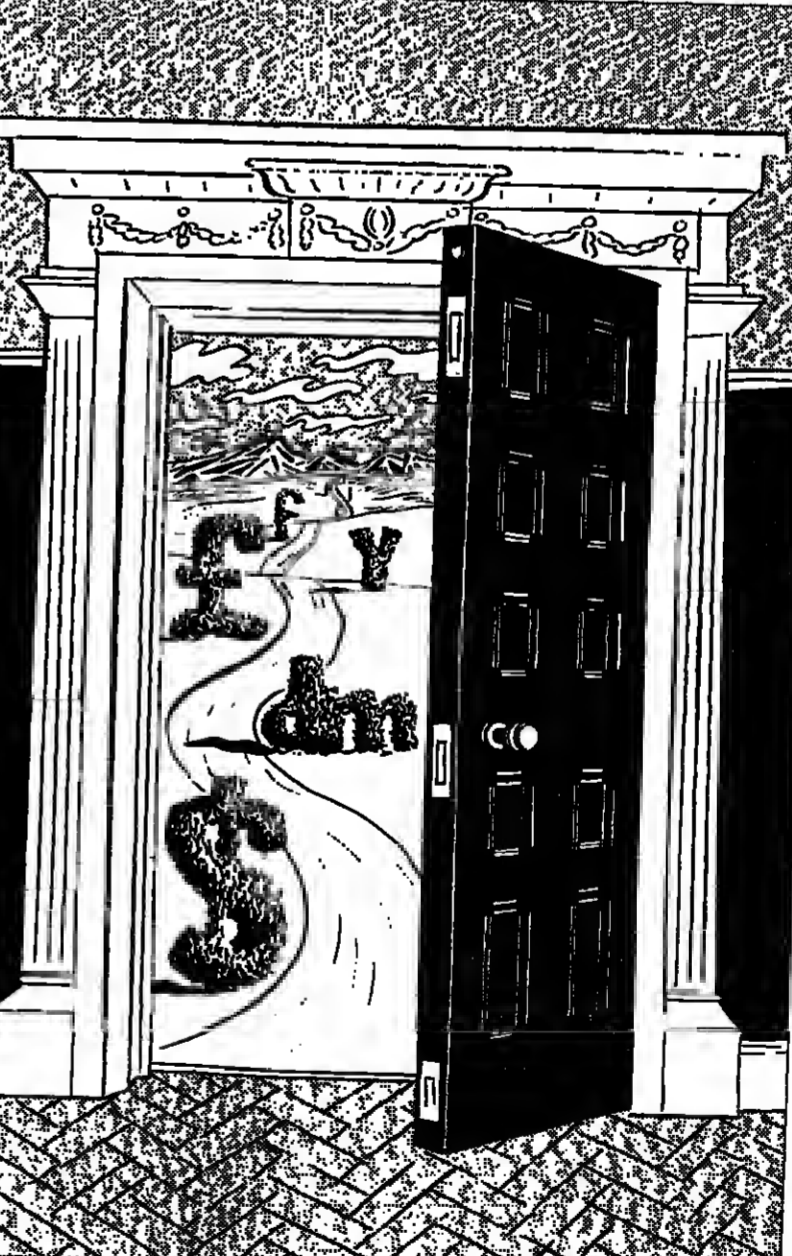
In addition, the weather has been ideal, with growing conditions in the Golden Triangle, where Burma, Laos and Thailand meet, "as good as they have been in many years," as one of the diplomats put it.

Even so, they said, limitations of land and labor mean that production is unlikely to rise more than 20 percent over last year once the harvesting is finished in February.

The diplomats said that as the U.S. government has achieved some successes in prosecuting major figures in the Mafia, Chinese gangs with better connections in Southeast Asia have taken their place. They said that in recent years the entire trafficking network, from grower to refiner to shipper to street seller, has become more sophisticated, with many groups involved.



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### WORLD BRIEFS

Kill 55 in Wave of Attacks  
Lanka (Combined Dispatches) — 55 people Sunday and Monday in a series of attacks on the government and private property in Sri Lanka.

an Gets Pakistan Press  
Pakistan (AP) — The incumbent, Ghulam Ishaq Khan, won the first parliamentary election since the 1973 constitution was amended.

Teacher Is Killed  
Belgium (AP) — A 45-year-old teacher was killed Sunday in a shooting in Belgium.

Picked to Fill Quayle  
U.S. (AP) — Representative Dan Coats was picked to fill the Senate seat vacated by Dan Quayle.

Reportedly Bombed  
U.S. (AP) — A U.S. military aircraft was reportedly bombed Sunday in the Gulf of Thailand.

Record  
U.S. (AP) — The U.S. Postal Service set a new record for the number of letters mailed in one day.

Travel Update  
U.S. (AP) — The U.S. State Department issued travel warnings for several countries.

Hobbled by  
U.S. (AP) — The U.S. economy is being hobbled by inflation and high interest rates.

an Airplane  
U.S. (AP) — A U.S. airplane was hijacked Sunday in the Gulf of Thailand.







# A Onetime Flack Defends The View From the 'Inside'

By William Safire

**NEW YORK** — Does a political background taint a journalist? Is America's need for independent media criticism endangered by a new breed of sycophantic analyst called the Washington insider, those publicists and journalists leaping the barrier between participant and observer?

David Broder of The Washington Post thinks so. This respected and fearless "reputable" — one who both reports and opines — ruffled influential feathers recently by blasting the infidels defiling the temple of the press.

"We all know these people," he told the National Press Club. "The journalists who go into government, become State Department or White House officials and then come back as editors or columnists (Take that, Hodding Carter,

**I hold that previous insiderhood leads to better understanding, not to tainted views.**

John Chancellor, Carl Rowan, Jerry O'Leary). Or the editors who become ambassadors (Whap! Henry Grunwald) and the ambassadors who become columnists (Pow! Jeanne Kirkpatrick). Or the columnists who coach their favorite candidates (Zap-you're-dead! George Will and Patrick Buchanan) . . .

The reaction of most in-and-outers ranged from fury to amusement, but when a Washington Post headline later labeled us "Tainted Journalists," we had to wonder: Was the spirit of the prophet Isaiah ("Stand not oer to me, for I am holier than thou") reborn in our brother Broder? Is opinion keen and judgment independent only if the pundit has never been deflowered by political experience?

I hold that previous insiderhood contributes to understanding. Let me tell you about "the oev Nixon."

In a book a few years ago, "Behind the Front Page," Mr. Broder recalled in frustration how so many good journalists were fooled in the late '60s by the repackaging of Richard Nixon. Through "contrivance and manipulation," the candidate concealed himself behind a false image of a "new" Nixon.

That was the conclusion of a trained outside observer. But you had to be there — on the inside, contriving and manipulating — to understand that the reality was not nearly so simple.

The Mr. Nixon of the late '60s was indeed different from the Mr. Nixon of previous campaigns. He had perceptibly changed both his style and his thinking; close associates saw a "new" Nixon. The problem was that he refused to admit it.

Whenever a reporter adverted to the new Nixon, the candidate bridled; he remembered that as an accusation of

trickiness in previous campaigns and resented the question. He insisted to interviewers that he had been misunderstood in the past, and that the so-called "old" Nixon — hated by the press — was an unfair caricature.

As his volunteer flack, I took him aside and explained why that was a bad answer: You are demanding that people admit they were wrong about you in the past. People, especially writers, hate to do that. Let them think they were right. Times have changed. America has changed. Admit to being a "new" Nixon in many ways — not in character, but in positions and attitudes — thereby letting your old critics off the hook and getting points for candor.

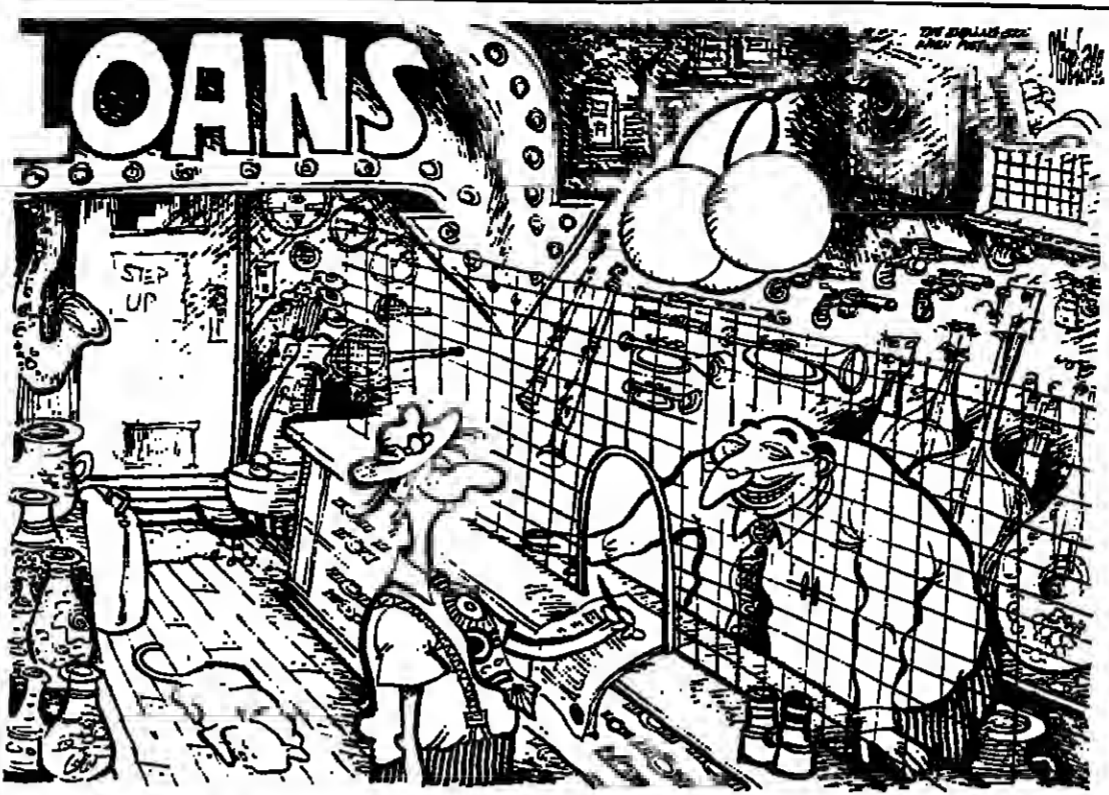
His Machiavellian mind seized on that immediately. He would use what he insisted was past misjudgment to advantage, making it easier for past opponents to become present supporters. Welcome to those who switch roles and gain stereoscopic perspective from looking through one political and one journalistic eye. The ironic ounce is hard to explain to one who has never been on the other side of the barricades.

David Broder is right to warn against coziness between state and media, and against the pulling of punches in the hopes of political appointment. He is glibly prescient in seeing a danger in the hurrying of adversarial lines by a too-frequent switching of hats. Journalism owes its perils — its Germond and Wicker, Novak and Rather, who have never spent a day at the public trough. But I self-servingly submit that a place exists as well for the Sawyer and Moyers, Greenfield, Perle, Price, Wattenberg and Adelman, who bring a special understanding to the coverage of the manipulators and the visionaries we leave behind.

Lift up your heads, ye ex-denizens of the Inside — a political past should be a source of pride. A taint it ain't!

The New York Times.

Letters intended for publication should be addressed "Letters to the Editor" and contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.



'So, no collateral, no nothin' and you want to buy a major U.S. corporation. Ya know, kid, there was a day we would have laughed you right out of here!'

## LETTERS TO THE EDITOR

### Capitalists Outflanked

Regarding "The Worries About Fortress Europe Are Justified" (Opinion, Nov. 23) by Giles Merritt:

The looming reality of an economically unified Europe will drag America kicking and screaming into 1992. Competition — the backbone of American-style capitalism — will force the United States to improve quality and lower prices of its exports. As Roy Denman suggests under the Other Comment heading on the same page, the European Community is simply following the U.S. lead in global commerce. If that makes America uncomfortable, it can only blame its own example.

CAROLYN HOFIG,  
Scottsdale, Arizona.

### Most Canadians Said No

Regarding "Free Trade? What About the Farms?" (Opinion, Dec. 3):

Canadians did not say yes to establishing a free trade zone with the United States, as Jonathan Power stated. Most voters chose parties which oppose it.

Mr. Power intended to make a point about farming subsidies, but by assuming that "no developed country in its right mind will turn its back on free trade," he assumes that all developed countries see free access to American markets as beneficial. In fact it is the "developed" nature of Canada that has allowed her people sufficient education to be wary of

such access. As a result, most Canadians question the increased presence of a cultural system based on quick profits rather than the quality of life.

PAUL ROMBOUGH,  
Lisbon.

### American Magnetism

Regarding "No Longer the Envy of the World" (Opinion, Oct. 12):

America is a country of wonder, which persists in striving toward an ideal of equal protection for all. In this century, though they might have preferred to distribute their wealth in ways different, Americans have spent generously to defend and develop Europe (which Richard Reeves notes "is rich again") and to help the rest of the world.

Mr. Reeves may be correct when he says that "educated Europeans and Asians" may not want to live in America, but on a short walk around my Manhattan neighborhood I observe that almost everyone else does.

JAMES M. RHODES,  
New York.

### 'Price-Fixing' the Dollar

Regarding the report "Secret Meeting Led to Missed Dollar Support, Officials Say" (Nov. 19):

Peter Kilborn's report on the cloak-and-dagger meeting at the Louvre is both amusing and frightening. In effect, the officials of the treasuries and central banks of 12 powerful free-market na-

tions were secretly engaged, under the guise of dollar stability, in a massive "price-fixing" operation.

This "cornering" of the market will pay handsomely: All the dollars the banks buy now can be resold at a 15 to 20 percent profit when they start shoring up the value of other currencies against the rise of the dollar, as they did last September. This group manipulates the market to its convenience, not really trying to cure what is ailing the dollar.

VICTOR N. OSCODAR,  
Font l'Évêque, France.

### On Dubcek's Oxymoron

Alexander Dubcek, the proud and unrepentant Communist, has been honored by the University of Bologna ("Dubcek, in Italy, Defends Prague Spring" Nov. 14). His remarks about blending socialism with human values and democracy are laughable. Could it be that the University of Bologna has a department of oxymorons, and everybody was just kidding?

JAROMIR KOUBA,  
Manotick, Canada.

### Correction

Robert Cullen, author of the opinion column "It's Time for a Quiet U.S.-Soviet Deal on Emigrants" (Dec. 1), was incorrectly identified as the Moscow bureau chief for Newsweek magazine. He has not held that post since 1985.

# In Warsaw, Avant-Garde Sketched Over Surrealism

By Barney Kirchoff

**PICTURES** from a Warsaw exhibition: In the Aula, the great hall of the Technical University, a huge marble atrium with a grandiose staircase and four tiers of arcades, Bernard Heidsieck, an elegant Parisian, doffed his jacket and knelt on the floor. Then Mr. Heidsieck, who has doubled as a banker and a poet *sonnetier* since the early 1960s, began a dramatic rendition of a poem based on medical records, which he delivered to the accompaniment of amplified heartbeats.

Meanwhile, across the river in the seedy Praga district, Poles jammed an open-air market offering used clothing and odds and ends of merchandise. In the streets, men stilled up to visitors: "Change money? Three thousand zloys for a dollar."

Mr. Heidsieck's performance was

## MEANWHILE

part of a weeklong International Seminar of the Arts in Warsaw, which was sponsored by the Center of Contemporary Art, headquartered in Zadem Ujazdowski, a massive, partly restored 17th-century castle. The castle lay in ruins after it was used as a hospital in World War II, and then was stripped to help furnish the Royal Palace in Warsaw's Old Town.

More than 40 avant-garde Polish and foreign artists exhibited several hundred works in five rooms with unfinished concrete floors and walls. The day before the vernissage, there was heat but no lights. Somehow it all came together and hundreds of people flocked to the opening as borrowed theater spotlights illuminated the castle. The works ranged from colorful priors to an installation of library desks with reading lights and specially created books.

Warsaw is a surrealistic place. Schoolchildren throng through the restored Old Town in colorful jackets. A few black owls, their elders wait patiently in line at butcher shops trying to get a piece of meat. An endlessly repeated joke tells of two Poles meeting. The pessimist says, "Things can't possibly get worse." The optimist retorts, "Of course, they can."

There were daily seminars in a student discotheque where the Polish and foreign artists discussed such weighty issues as the responsibility of the artist. At one seminar, Zbigniew Warpechowski, who has given performances at Kassel's Documenta in West Germany, read a long "non-manifesto" on the problems of aging artists, suggesting they should die or be killed — metaphorically, of course. He followed this with a performance in the castle in which he dutifully "expired" from an overdose of pushups.

The black market thrives. The Warsaw Voice, a sprightly English-language weekly modeled after the Moscow News, publishes the rates. Officially, there are about 500 zloys to the dollar, but the government bank sells PeKaO dollar coupons for 2,500 zloys. The coupons

can be used in the hard-currency Pewex and Baltona stores, which offer Western goods as well as the better brands of Polish vodka (a bottle of buffalo-grass-flavored vodka goes for \$1.75).

Back at the castle, two German artists, Wolfgang Hainke and Jürgen Olbrich, were crouched on the steel rods running under the ceiling. They inched across, showering the room with table knives and pencils through three sets of metal pipes as an offering to Ay-O's rainbow Buddha, spotlighted in a niche in the wall. Ay-O, a Japanese artist who has a studio in New York, last year flew a 300-meter (nearly 1,000-foot) rainbow banner from the Eiffel Tower in Paris. As soon as the performance ended, scores of Polish spectators dashed over to grab handfuls of knives. Pencils did not appear to be as scarce.

The Warsaw Voice, only six issues old, regales readers with tales of pollution, or the Orange Alternative, which stages street events. In one such event, members hand out rolls of toilet paper, another scarce item, while chanting slogans like "Lenin lives" and "We shall not give up the Communist system." A "Socialist Surrealism Manifesto," formulated by leaders of the Orange Alternative, declares that since Polish reality is surrealistic, people should react to it in a surrealistic way and make life more colorful. The authorities are baffled. How can you arrest people for chanting official slogans, even if they are dressed like Smurfs or devils?

The hottest rock group at the moment, according to the Warsaw Voice, is Citizen G.C., which drew an audience of 7,000 in Wrocław and of 10,000 in Katowice during its latest tour.

The foreign artists were enlisted by Emmett Williams, an American living in West Berlin, who has been exhibiting and performing in Poland since 1981. The first seminar was held in May 1987; a third, the Center of Contemporary Art hopes, can be staged next year.

Gaudy hookers patrol hotel bars and waiters offer sins of caviar for \$15. A visiting artist proudly displays a coat with a fur collar. It cost her 50,000 zloys. Someone gently points out that a friend, a university official, earns 40,000 zloys a month.

Everyone is waiting for new legislation that will encourage private enterprise. A teacher-translator speaks wistfully of owning her own home, but a small plot of land costs 7 million zloys, and building the house, if she does much of the work herself, will cost an additional 10 million.

Mr. Heidsieck finished his performance with a poem on democracy, a dramatic reading of the names of all the French pretenders from the start of the Third Republic until 1979. As he read each name, he tore the sheet bearing it from a pad and threw it away.

There was an unexpected coda. From one of the upper tiers, a shower of fliers written in Polish fluttered down, inviting students to a new initiative.

International Herald Tribune.

**Come to Marlboro Country.**

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the Blacksmith

AND 50 YEARS AGO



# Minister Resigns in Scandal

## But Guilt Denied By Swiss Woman

**Bern** — Elisabeth Kopp, the first woman member of a Swiss government, resigned as justice minister on Monday because of a billion-dollar money-laundering scandal with which her husband's name has been linked.

Mrs. Kopp, 51, the most successful female politician in a country where women first won the right to vote in federal elections in 1971, had warned her husband Hans about an impending investigation of a firm of which he was vice chairman.

Announcing her resignation after a cabinet meeting, she denied wrongdoing but said she accepted the political consequences of her actions.

"I am guilty neither legally nor morally," she told reporters. "The suspicions and insinuations, not only against my family but also now against me, have increasingly reached a degree and a dimension that are unbearable."

Mrs. Kopp had faced mounting pressure since a prosecutor said in November that a money and precious metals firm, Shakarchi Trading Co., was suspected of dealing with international drug smugglers who channeled \$1 billion through Swiss banks.

Hans Kopp resigned as vice-chairman of the Zurich-based company on October 27.

He cited personal reasons for his resignation, but his wife said on Friday she had telephoned him that day and urged him to step down after hearing rumors Shakarchi would be implicated.

Both Hans Kopp and Shakarchi Trading deny the allegations and no charges have been brought against either.

Mrs. Kopp's admission turned her political allies against her just two days after she had been voted Swiss vice-president by a large parliamentary majority.

In her resignation statement, she said she had given her husband no official information but merely passed on unconfirmed rumors. "I repeat that, at that time, I neither possessed nor used any documents or information from my department," she said.

Mrs. Kopp entered parliament as a member of the conservative Radical Democratic Party in 1979 and became the first Swiss female government minister in October 1984.

# Broad Strike to Test González

## Both the Government and Unions Are Facing Threat

**By Paul Delaney**  
*New York Times Service*

**MADRID** — Prime Minister Felipe González faces the biggest threat to his six-year-old government on Wednesday with the prospect of the first general strike in Spain since 1934.

The action represents a threat to government stability as well as a test of a severely divided labor movement. Union leaders predicted that a third of the work force would lead to a complete halt of public transportation and other services for the day.

A leader of the governing Socialist Party predicted that if that happened, Mr. González would call national elections soon.

"If the general strike is a success, the president of the government will dissolve parliament and call an early election," said the party leader, José Bono Martínez, who is also the president of the Castilla-La Mancha regional government.

Mr. Bono was referring to Mr. González, who is the president of the governing council.

"The president will not bear this

pressure," Mr. Bono said in an interview with the Madrid newspaper *Diario 16*. "He does not like to be anybody's hostage."

Mr. González has said he would not call early elections, but Mr. Bono said that if workers showed they lacked confidence in the government, the prime minister would reverse himself.

The strike threat represents a further deterioration in relations between the government and its traditional ally, the Socialist-led General Union of Workers.

The General Union of Workers, with a membership of about 700,000, is the nation's largest. Its leaders have complained persistently that the government was moving too far to the right.

Spain has the fastest growing economy in the European Community, but also the highest unemployment rate and an increasing inflation rate.

Tensions between the Socialist Party and the General Union of Workers led to an alliance for the first time between the union and the second-largest Spanish labor federation, the Communist-led Workers' Commissions. The two

organizations issued the strike call last month.

The General Union of Workers has been split over the strike call. Its secretary-general, Nicolás Roldo Urbieta, dismissed the heads of several union branches after they opposed it.

Mr. González has urged the unions repeatedly to cancel the action, promising talks on the government's economic policies.

"We are ready for dialogue," he said last week. "But it would not be responsible to change economic and social policies that have had good results."

He also has mobilized his aides to speak against the strike call.

The general strike and a series of smaller protests were called after the government proposed in October to lower the minimum wage for youths to \$380 a month.

Labor leaders said the plan would aid businesses that would also receive a stipend for hiring young workers for one year. Unionists fear the youths will be dismissed after a year. The jobless rate for young people is 40 percent, compared with 20 percent for all workers.



Prime Minister Felipe González of Spain, threatened by a strike.

# Kari A.O. Kairamo, Industrialist, Dies

*International Herald Tribune*

**Kari A.O. Kairamo**, 55, chairman and chief executive officer of Nokia Oy, Finland's biggest corporation, and the leading member of a family dominant in Finnish industry and banking for five generations, died over the weekend, the company announced Monday. The reported cause of death was a heart attack.

Mr. Kairamo, an engineer who had worked in São Paulo and New York, was one of Finland's most internationally minded businessmen, and his professional interests embraced education, European integration, industrial reform, energy matters, new technology and Nordic cooperation.

Away from the boardroom, Mr. Kairamo loved hunting, boating and skiing. "He loved nature," a friend said. "He hated high living and luxury, and preferred the simple life in the open air." At home in Helsinki, Mr. Kairamo spent his free time reading and listening to classical music.

He is survived by his father, Antti, his widow Arja Eva Solberg, a concert pianist, and three children — Kristina, 30, a geography teacher; Aino-Maria, 26, an air hostess; and Juhani, 22, a student at a school of hotel and restaurant management.

The Nokia board said it would meet Tuesday to appoint a successor. Industrial analysts said there was no obvious heir either inside or outside the corporation, which has 28,500 employees, including 7,000 overseas. Nokia is involved in electronics, cables, machinery, paper, power, chemicals, rubber and flooring. Mr. Kairamo was "Mr. Finnish industry" as far as the world was concerned, an analyst said.

Italian-Americans, of a heart attack Saturday at his home in North Bergen, New Jersey. He won praise for his performance as a mafioso, Cleonza, in "The Godfather."

John H. Gelse, 96, a World War I aviator and aeronautical inventor, of heart failure Sunday in Indianapolis, Indiana. He invented a landing gear for difficult wind conditions at airports with single or parallel runways. He also designed the first electrical system for de-icing wings.

Terrence Lore Smith, 46, author of the best-selling novel "The Thief Who Came to Dinner," in a traffic accident Wednesday on an icy road in Colorado Springs.

Ulanis, 82, deputy chairman of the National People's Congress who fought for Mongolian rights during a 60-year political career, Thursday in Beijing after being hospitalized for an unspecified illness, Xinhua said.

Christopher Connelly, 47, the raspy-voiced, curly-haired star of the "Peyton Place" television series of the 1960s, of lung cancer in Burbank, California.

Nagendra Singh, 74, an Indian jurist and former president of the World Court, Sunday of a heart attack in The Hague.

John Canring, 56, managing editor of the New York Post since 1980 and a journalist for more than 35 years, on vacation in Ixtapa, Mexico.

Joseph L. Reichler, a member of the sport writers' section of the Baseball Hall of Fame and editor of *The Baseball Encyclopedia*, Monday after a long illness in Roslyn Heights, New York.

# In Hungary's Surge, a Woman Plays a Key Role

**By Jackson Diehl**  
*Washington Post Service*

**BUDAPEST** — For years, the Taurus Rubber Works has offered Hungary's economic managers an example of a state-owned company that works efficiently under the demands of an emerging market economy. So when a new Communist leadership took power last May with a mandate for aggressive economic reform, it should not have been surprising that Taurus's chief executive was picked as a member of the ruling Politburo.

Behind this rare success story, however, stood an even greater rarity in the power circles of Eastern Europe: a woman.

For 14 years, the chief executive of Taurus has been Ilona Tatai, a chemical engineer who has proven herself one of the country's toughest and most progressive business managers.

Mrs. Tatai, 53, had already found herself an exception as a female industrial executive, both in the East and in her frequent travels to the West.

Now, with her promotion into politics, she stands as one of only five female Politburo members in the six Communist-ruled countries of Eastern Europe, and the only one to establish herself independently as a significant political figure.

"This is a world of men they have created for themselves, and women can find a place in it only with difficulty," she said in a recent interview, revealing a feminist conviction that few women in Hungary

openly express. "It's not only a problem in the socialist countries. I never met a woman manager in the West, either. But all the secretaries were women."

Mrs. Tatai's promotion was a sign both of the party's growing political liberalism and its commitment to economic reform.

In Eastern Europe, women who serve in top party positions typically have been blue-collar workers who do not transcend their token leadership roles. The only other exception in recent years has been Elena Ceausescu, the wife of President Nicolae Ceausescu of Romania, who has grown in stature in keeping with the personality cult of her husband's neo-Stalinist rule.

Mrs. Tatai, in contrast, was brought into the Politburo to inject a manager's pragmatism into the country's economic policies. "I am conveying my experience to them and calling their attention to problems that exist at the enterprise level," she said. "There are problems with companies, and my aim is to solve them rapidly."

Mrs. Tatai does not hesitate to differ with the political line. In her view, the country's economic leadership is not moving quickly enough to reduce business and personal taxes and free up funds for private enterprise. And she believes that state companies are not modernizing aggressively enough along Western lines.

The new corporate income tax of 50 percent "means companies will have less for development," Mrs. Tatai said. "It threatens Taurus," she added, "because we

are taking part in a rebuilding program of the World Bank, and it means we will not be able to carry out our tasks in time."

Despite her new political obligations, Mrs. Tatai has remained in charge at Taurus, where she started work in 1959, as a laboratory assistant. For years, she has pushed the company to the fore of economic change in the country, making it a test ground for such innovations as direct foreign trade by enterprises and the issuing of stock to workers.

Under her leadership, Taurus has modernized its production by signing agreements with B.F. Goodrich Co. and other Western firms, taken World Bank loans to help build up its exports to the West, and even worked with U.S. management consulting firms.

The drive for Western-style efficiency appears to have paid off. Between 1976 and 1987, Taurus more than doubled its sales and production without increasing its staff of 11,000 workers. The firm has won a major share of the agricultural tire market in West Germany and Scandinavia, and its exports to the West now exceed \$50 million a year.

Mrs. Tatai's own project is to make Taurus one of the first Hungarian state firms to take advantage of a law passed this fall on share ownership and foreign investment. The law allows state companies to issue shares and sell stakes in themselves to private investors, Hungarian or foreign. Although the procedure has yet to be legal-

ly established, Mrs. Tatai said that she already is exploring the possibility of selling 20 percent of Taurus to a Western rubber company.

"The biggest problem for Taurus and other Hungarian companies is the shortage of working capital and low efficiency," Mrs. Tatai said. "What we need is to set up a shareholding company with a foreign firm that has great experience in the field of production. We are just beginning, and the forms are not sure. But this is something almost every company needs to do."

Although the new law prevents big state companies from being completely privatized, Mrs. Tatai said she believed that Hungary eventually would have to embrace that solution. "I think that step by step, we are going to give up the idea" of state ownership, she said, "because international experience has shown that state companies are less efficient, and I don't think we can afford to follow a different path if we want to compete in the European market."

She holds equally strong views about the troubles of working women. Because wages are relatively low, and women's wages still lower, Mrs. Tatai said, Hungary's economic stagnation and high inflation are making it difficult for women to maintain their careers. "Families can no longer afford services like day care or cleaning, so women are being forced to give up their careers to handle these duties," she said. "It's something I'm very concerned about."

**Other deaths:**  
Richard Castellano, 55, a character actor noted for his portrayals of

**Nations Suspend Training Flights**  
*Reuters*

**WASHINGTON** — The air forces of West Germany, the United States, Britain and Canada have suspended fighter aircraft training in West Germany until Jan. 2, the Pentagon announced Monday.

The suspensions follow a series of military crashes in West Germany, including an accident last Thursday in which a U.S. warplane crashed into a residential area during training, killing six persons.

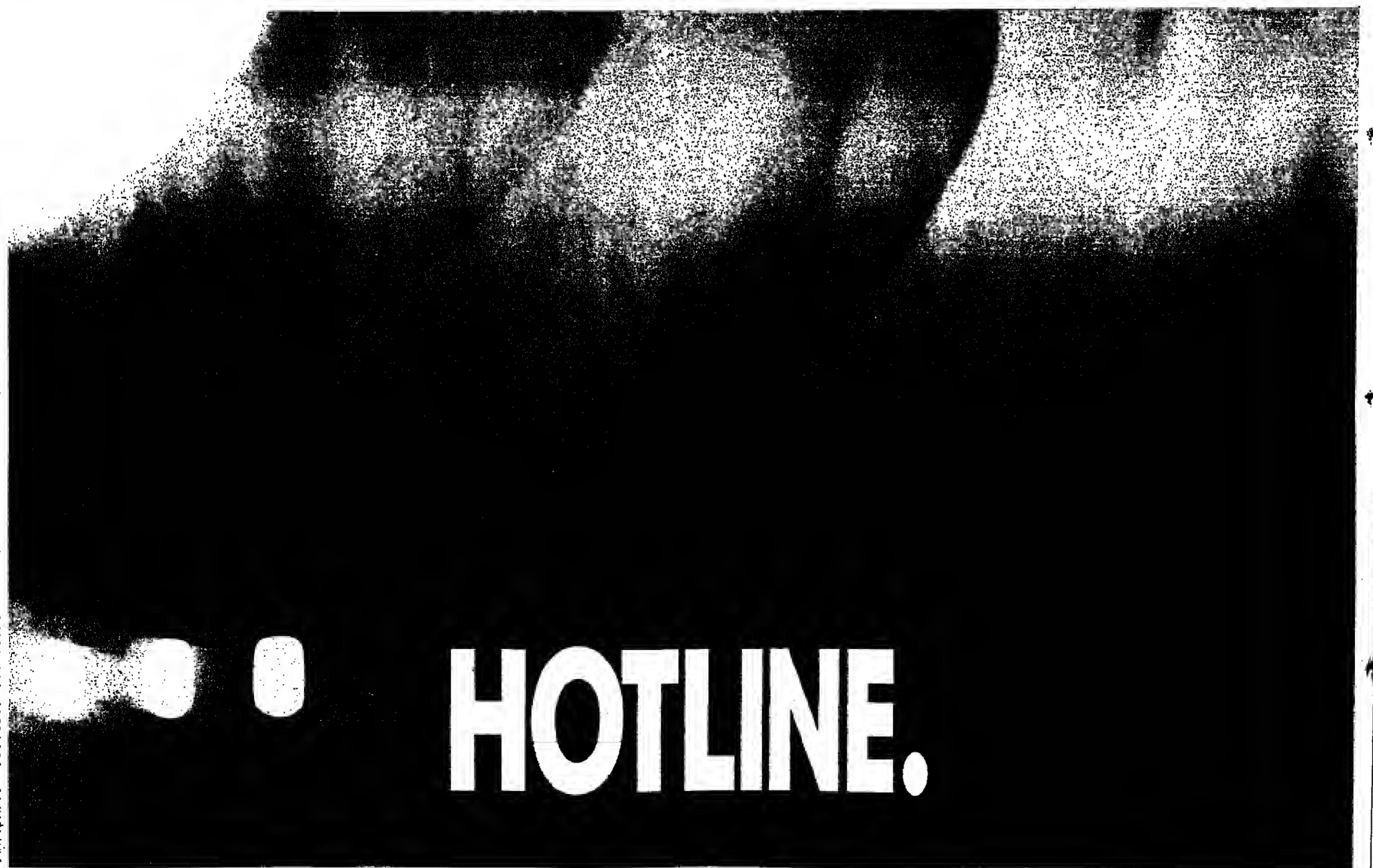
The postponement of fighter training, including low-level flights, was called for the holiday season "out of respect for the victims and the families of the victims" of last week's crash.

The announcement, made after a meeting between top U.S. and West German defense officials, said training would resume Jan. 2.

**Henri Peyre, Professor Of French at Yale**  
**NORWALK, Connecticut (NYT)** — Henri Peyre, 87, the Sterling professor of French studies at Yale University, a scholar, writer and teacher, died of heart failure Friday in Norwalk.

Professor Peyre wrote more than 30 books in English and French on topics ranging from French classicism and modern literature to higher education in the United States.

As the Sterling professor from 1938 to 1969, he was also chairman of the department of Romance languages. Yale officials said that under his leadership, the department was ranked first in the nation several times by the American Council on Education.



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# In Free-Trade Battle, U.S. Gets Tough With Thailand on Counterfeits

By Michael Richardson  
International Herald Tribune

**BANGKOK** — Last month, representatives of American companies arranged for a visiting U.S. congressional delegation to see a display of American products, including computer software and prescription drugs. But instead of seeing goods made in America, they saw pirated goods made in Thailand.

Thailand has rapidly become the counterfeiting capital of Southeast Asia, as neighboring nations have cracked down under U.S. and European pressure, and makers of pirated goods have shifted from countries with more expensive labor and tougher penalties.

But if Bangkok does not crack down quickly on unauthorized copying, as well as agree on wider trade issues, Washington will retaliate, U.S. officials say. Thailand, they warn, will lose preferential access to the United States, its largest market, and will be denied Western technology needed to advance the Thai economy.

Washington's willingness to come down hard on Thailand, with which it has close security ties, is a sign of the highly charged atmosphere in global

trade relations, and it demonstrates U.S. determination to get tough with Asian countries that Washington says do not play fair on trade.

The trade issue will reach a critical juncture Thursday when the office of the U.S. special trade representative reports to President Ronald Reagan on whether Thailand has made an adequate offer to improve its protection of intellectual property: American copyrights, patents and trademarks.

In all likelihood, efforts to reach agreement before Thursday will fail. Prime Minister Chuan Choonhavan said last Thursday that he would not yield to Washington's demands even if it cost Thailand its preferential treatment.

"I think it is more important for Thailand to try to stand on its own feet by producing competitive goods in the world market," he added.

Western officials estimate that Thai counterfeiting of products including audio tapes, computer software, cosmetics and clothing costs U.S. and European companies as much as \$400 million a year in lost sales and royalties, and they are worried that the copies will spread.

Douglas Sheldon, chairman of the intellectual property rights committee of the American Cham-

ber of Commerce in Thailand, cited as an example the Fusion program for IBM mainframe computers, which is widely used by companies for internal auditing.

"In the United States this program costs \$3,600," he said. "But in Thailand I can get a copy, plus a photocopy of the program manual, for \$100."

Mr. Sheldon, managing director in Thailand of Pfizer International Corp., a leading U.S. drug maker, said American companies had identified 239 copies in Thailand of U.S. pharmaceuticals that were still covered by U.S. patents.

Mr. Reagan will be told this week whether Thailand has agreed to open its market more widely in U.S. wheat, apples, soybeans and cigarettes by lowering tariffs and ending a government monopoly on cigarette manufacturing.

If no agreement is struck, Bangkok will lose its access to trade benefits under the U.S. system of generalized preferences, a program that offers developing countries easier access to the U.S. market by eliminating import duties on about 3,000 products. The average margin of tariff preference under the system is about 7 percent.

In 1987, the United States imported goods worth \$552 million from Thailand under the preference system, a 57% increase over 1986. The products included jewelry settings, household items and canned fish. Overall, the United States imported nearly \$2.4 billion in Thai goods and exported more than \$1.5 billion to Thailand.

Thailand's failure to satisfy Washington's demand for full protection of intellectual property will also cost Thailand access to advanced American computer technology and pharmaceutical drugs.

The U.S. Senate minority leader, Robert J. Dole, who headed a congressional delegation that visited Thailand in November, asserted that Washington was determined to get protection for patents on innovative products and processes, copyrights on books, music, films, computer programs and other representations of ideas.

But many Thais have warned the government that if it gives in to American "bullying," unemployment and prices will rise sharply. A proposal in parliament to amend Thailand's copyright law set off a dispute earlier this year that threatened to bring down the coalition government.

Foreign Minister Siddhi Savetsila said in New York in October that coercive methods would "exacerbate rising anti-American sentiment in my country."

If protectionism becomes stronger under the U.S. president-elect, George Bush, Mr. Siddhi said, then Thailand and the U.S. will be traveling on a path of trade collision with adverse implications for our overall bilateral relations.

U.S. officials said that while Taiwan, South Korea, Singapore, Malaysia, China, and Indonesia have taken legislative steps to crack down on unauthorized copying in the last few years, Thailand has lagged in doing so.

European Community diplomats urged the Thai government recently to tighten controls on counterfeiting, but they did not threaten to end Thailand's preferential treatment in its markets.

"We think such a linkage is counterproductive," said Albert Maes, ambassador and head of the EC delegation based in Bangkok, "because it gives political strength to vested interests opposing such action in the name of Thai nationalism and independence."

## U.S. Stance At Talks Irks Paris

**PARIS** — France on Monday blamed the failure of world trade talks in Montreal last week on U.S. obstinacy and accused Washington of being ready to give up entirely on global agreements in favor of bilateral accords.

"Their ideological and psychological rigidity on commercial matters has become total," Agriculture Minister Henri Nallet said in an interview with the French economic daily *La Tribune de l'Expansion*.

"The United States is barely interested any longer in multilateral debate, preferring to look for bilateral agreements of the type that they negotiated recently with Canada," Mr. Nallet was quoted as saying.

The Montreal ministerial talks, held under the auspices of the Geneva-based secretariat of the General Agreement on Tariffs and Trade, collapsed amid bitter recriminations after the United States and European Community clashed over farm subsidies.

## TRADE: Japanese Concerns Reflect Increasing Tension With Recent Surge in Protectionist Sentiment

(Continued from page 1)

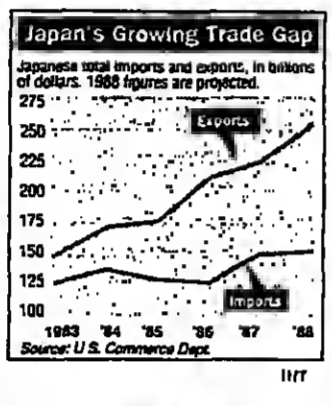
...suppression, housing and public-works projects masks the extent to which basic shifts in the Japanese economy have been avoided.

"So far we've only looked at these issues during the favorable part of the cycle," said Akio Mikuni, a former Finance Ministry official and now a Tokyo business consultant. "The underlying fact is that the export structure is still intact. The postwar formula hasn't really changed sufficiently."

Despite these problems, most concern about protectionism voiced in Japan centers chiefly on the new U.S. administration and European moves toward a single market at the end of 1992. Influential Japanese are confident that Mr. Bush will support free trade and an open U.S. market, but they have quickly come to question his resolve in dealing with a Congress controlled by Democrats who are armed with tough trade legislation. Efforts to use the law against Japan were made almost as soon as President Ronald Reagan signed the legislation in August.

In that first attempt to apply new retaliatory powers against trading partners, the U.S. trade representative, Clayton K. Yentzer, rejected an appeal by U.S. rice millers to force open the Japanese rice market. U.S. officials acknowledge that potential gains for U.S. rice growers are insignificant, but there are signs that the issue could become a politicized test of wills of the kind Tokyo and Washington are eager to put behind them.

Last month the U.S. administration was similarly required — apparently against its will — to open an investigation into U.S. access to the Japanese construction market, on which Tokyo and Washington reached an accord earlier this year.



"To enshrine this kind of demand as a legal requirement is dangerous," a Western trade expert said. "Obviously it tends to heighten concern here about the bilateral relationship among Europe, Japan and the United States."

Despite Japan's efforts to expand its markets at home and to end down emphasis on overseas sales, both the European and U.S. markets are likely to grow in importance for Japan in coming years.

Trade experts say only the European and U.S. markets can offer the economies of scale that Japanese industries will need to shift into higher-technology sectors and develop new generations of products.

Reflecting this, direct investments by Japanese manufacturers in Europe and the United States have soared dramatically over the past three years: by 125 percent, to \$25.1 billion, in Europe, and by 140 percent, to \$61.6 billion, in the United States. Recent multibillion dollar purchases by Japanese firms include Firestone Tire & Rubber Co., CBS Records and the Intercontinental Hotels group.

Ironically, analysts in Tokyo assert that the best way for Japanese manufacturers to keep the U.S. and European markets open is to continue increasing direct investments in them, which would help reduce Japanese exports and provide an opportunity for Japanese companies to contribute to local economies. But these analysts stress that Japanese multinationals must make far greater use of local personnel, capital and technology than they have so far.

At the same time, there is a growing awareness that Japan is entering many newly sensitive areas of competition in international trade, including advanced computers, banking, telecommunications and

defense technology. While such fields are to replace the consumer industries that have been the backbone of the Japanese export sector — electronics, shipbuilding, steel — there are already signs that serious friction could erupt in them.

Although Tokyo and Washington agreed in a memorandum five years ago that Japan would begin sharing technological advances in the defense field with U.S. companies, analysts in Tokyo and Washington say there is increasing concern in the United States that Japanese manufacturers will prove unwilling to follow the conditions.

A test case of the agreement is the FSX fighter, a jet being jointly developed by the United States and Japan. While both sides reached basic agreement on the project last month, they still have not determined how work on the project is to be apportioned.

The fundamental problem, many analysts suggest, is Japan's longstanding reluctance to share technology. Defense analysts suggest that there is a serious risk that U.S. defense contractors will eventually be drawn into the protectionist lobby as a result.

"Japan is going to be developing defense-related technology on an ever-larger scale and it's probably not going to be as willing to share it as we'd like," said a U.S. defense executive in Tokyo. "I see little desire to cooperate on the part of Japanese industries, and, yes, some of us are likely to get a little tight-jawed about it."

For some economists and trade experts, this attitude on the part of Japanese defense contractors is indicative of a broader reality: Japan has not evolved quickly enough to slough critics of its tight-knit political and economic systems.

Nor has the nation signaled a

genuine commitment to more than an incremental reduction in its chronic trade surplus, these economists and experts assert. New housing investment and public-works projects — the twin pillars of an explosive rise in domestic consumption since mid-1987 — were based on speculation and a one-time supplementary budget increase, they point out; both are now slowing as dramatically as they were last year.

Without a concerted effort to renege the nation's inadequate roads, sewage and water systems, and to provide new housing and significantly reduce land prices, a long-term improvement in Japan's ability to consume imports is unlikely, these economists say.

"Pricing the middle class out of the housing market is the last thing we should be doing," said Mr. Mikuni, the business consultant. "The fact that we've done this is indication enough that there's still no determination to live without a surplus. The commitment just isn't there."

The threat of protectionism only heightens concerns that Japan will fail to reduce the trade surplus, U.S. and Japanese trade analysts assert. As Western trade theorists begin to question the validity of Japan's traditional free-trade prin-

ciples, they ask, can Japan and other nations in East Asia embrace essentially foreign economic concepts with enthusiasm?

The question is viewed in Japan as critical, partly because issues between Japan and its major trading partners — the distribution system, intellectual property rights, the often-controversial role of the Ministry for International Trade and Industry — are becoming more complex and partly because the world must begin to adjust to a more assertive and nationalistic Japan.

Similar sentiments are also apparent among the newly industrialized countries of East Asia, notably South Korea and Taiwan. The danger in these nations is that protectionist impulses in the United States will discourage trade liberalization, which has been unfolding far faster than it did in Japan at a comparable period in its development.

Both Washington and Tokyo recognize the need for a new framework within which to negotiate bilateral trade issues, chiefly because the U.S.-Japan relationship is now seen as inextricably binding. But the urgency trade experts now express clearly reflects a sense of the risks of operating in a new environment without a safety net.

"We're no longer talking about shoes, autos or oranges, but deep-seated differences in cultural and social values," a Western analyst said. "Unless we come up with a

new and comprehensive way of dealing with these issues, we're probably going in face recurring crises."

**TOMORROW:** Pressures on George Bush that could heat up trade frictions.

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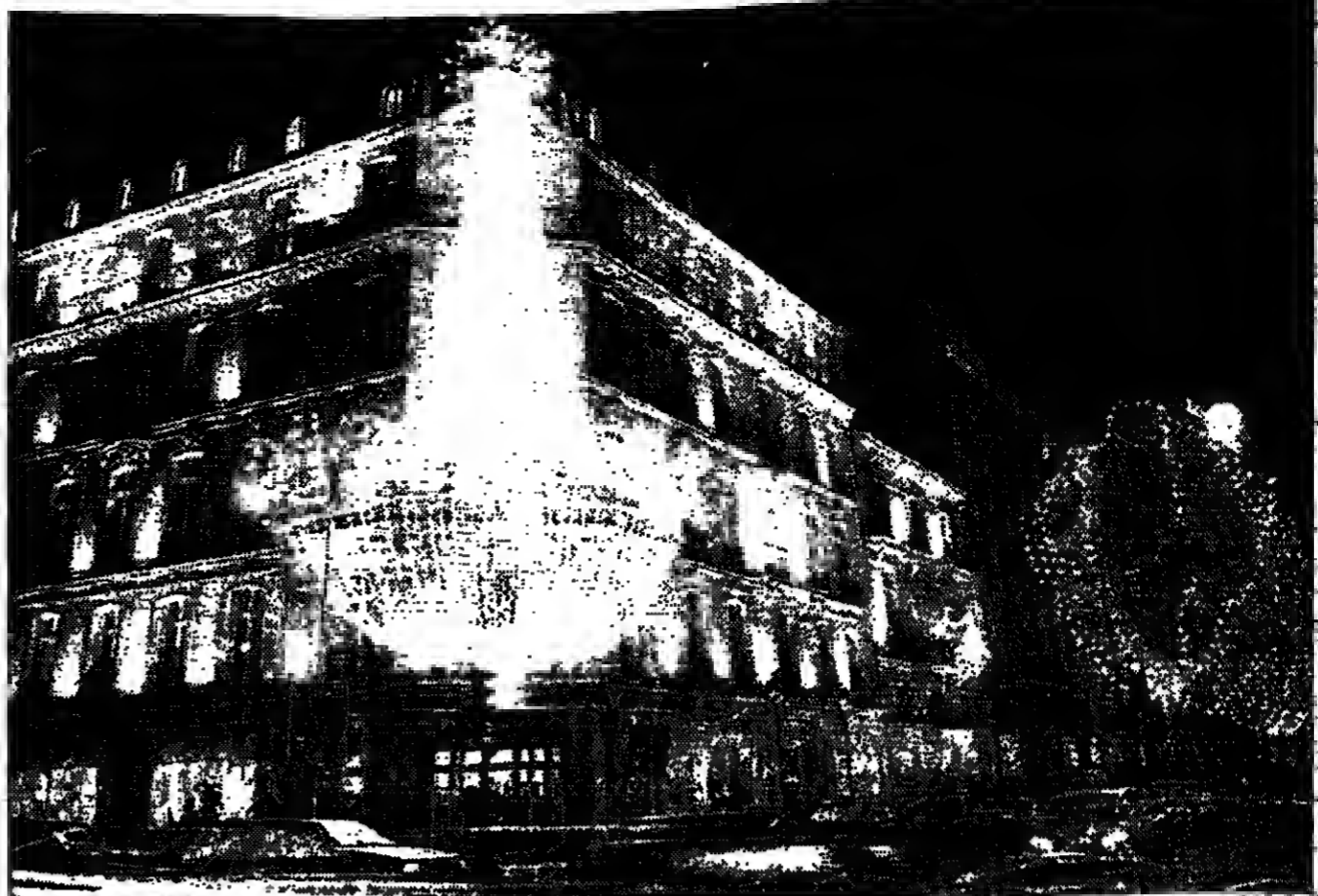
ARTS / LEISURE

Glass's 'Planet 8': But Is It Opera?

By Henry Pleasants
LONDON — The most noteworthy reaction to the European premiere of Philip Glass's 'The Making of the Representative of Planet 8' by the English National Opera at the Coliseum has been that of the London critics.

House of Usher" was introduced in Cambridge, Massachusetts. Another chamber opera, "1,000 Airplanes on the Roof" for actor and the Philip Glass Ensemble, was premiered in Vienna, while "Planet 8," a co-production by the ENO and Houston Grand Opera, was being given an initial outing in Houston.

There are more general problems, not confined to "Planet 8." One is whether Glass has, so to speak, painted himself into a corner. John Rockwell, writing in The New York Times a couple of weeks ago, put it this way: "When does a composer's style turn into a straitjacket? At what point do we say that an artist is no longer extending and developing an idiom, but instead rehashing it—unconsciously because a way of working has become automatic, or cynically because he's trapped and can't find a way out?"



Dior's giant chandelier on the Avenue Montaigne in Paris contains 120,000 bulbs.

Paris: The Reign of Montaigne

International Herald Tribune
PARIS — On the facade of Christian Dior in Avenue Montaigne twinkles a gigantic chandelier. The 120,000 bulbs beaming out each night are more than just a festive decoration. They symbolize the triumph of the most fashionable street in town.

reputation. That is set to change under Céline's glamorous American-born president Nan Legaci, who earlier this month threw a launch party at Ledoyen, a plush restaurant redecorated by the night club queen Régine. The turn-of-the-century mansion is situated in the foothills of the Champs-Élysées near one end of Avenue Montaigne.



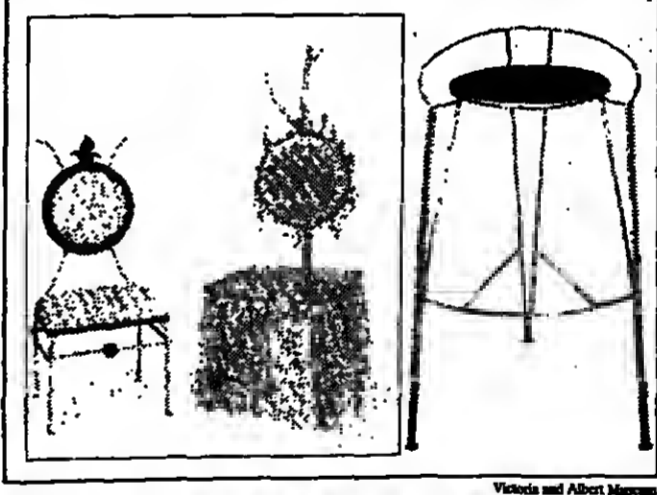
Margaux Hemingway with a piece of Céline jewelry.

ones — twinkling in windows dressed in pink and red. Neighboring streets have caught the whiff of luxury, with Cartier opening a new store in Rue François 1er and swagging it with gilt. The charm of Avenue Montaigne comes from its peculiarly Parisian mix of local shops and Madison Avenue or London's Bond Street. With real estate prices rising, how long can the small stores passed on from father to son hold out? The jeweler O.J. Perin is about to open where once the local bourgeoisie provided Dior's Marc Bohan with his daily croissant.

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Furniture: A French Connection

International Herald Tribune
LONDON — French modern furniture is undergoing a renaissance, and as in that distant historical period, it is due to patronage. For Lorenzo de' Medici, read François Mitterrand. The French government has supported avant-garde furniture design to the extent of putting a blood ash wood stool or a stylized steel chair into the Élysée Palace itself.



Two chairs by Garouste and Bonetti, stool by Pascal Mourgue.

in New York is pulling people in off the sidewalk, shows in London three restrained but typical designs: chromed tubular chairs flowing on a generous curve above small seats. Designers who were originally trained as architects are distinguished by the graphic lines of their furniture. Ronald Cecil Spores, who is an adviser to the Chinese on a Beijing furniture design project, lays out his sketchbook of ideas for us to see how his linear chairs evolve. Jean Michel Wilmette, who has contributed designs to the interior of the pyramid at the Louvre, is another furniture architect whose "Palais Royal" chair is of classic proportions.

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Recruit Cosmos
Bad Deal for Tokyo
The international business identity. For Europe and Japan. business, please call D...
TOKYO — Japan's over-the-counter market has been a financial disaster for investors. The Recruit Cosmos affair has become a household name and has also become a household name for the OTC market, which was almost entirely unregulated and unmonitored. The OTC market is a one-way market. It is a market where the price of a stock is set by the issuer and the investor has no say in the matter. The Recruit Cosmos stock was sold at a price of 1,000 yen per share, but the price fell to 100 yen in a matter of days. The Recruit Cosmos stock is now trading at a price of 100 yen per share, a 90% loss for investors.



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TUESDAY, DECEMBER 13, 1988

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INTERNATIONAL STOCK MARKETS

Recruit Cosmos Scandal:  
Bad Deal for Tokyo OTC

By ANNA ESAKI

TOKYO — Japan's over-the-counter stock market, for 40 years a financial backwater compared to the country's major stock exchanges, has been thrust into the news by the Recruit Cosmos scandal and the ensuing resignation of Finance Minister Kiuchi Miyazawa.

The Recruit Cosmos affair has shaken the government of Prime Minister Noboru Takeshita, has made "insider trading" a Japanese household term and has helped unfavourable publicity on the OTC market, which was already struggling. The market's trading rules may be modified and tightened.

"The OTC market is a one-way market," said Takao Uratani, a portfolio manager at Putnam Advisory Co.'s Tokyo branch. "Even if you find good value, there are so few participants and volume is so thin that you end up pushing the price up by yourself."

The stock scandal surfaced in July with the revelation that a group of investors, including aides to leading politicians, received stock in Recruit Cosmos, a real estate company, before it was listed on the OTC market. They reaped huge profits after the share price soared when the stock was listed.

Mr. Miyazawa, the only cabinet minister directly implicated, made a profit of 22 million yen on an investment of 30 million yen. Also implicated were aides to Prime Minister Takeshita, to former Prime Minister Yasuhiro Nakasone and to Shintaro Abe, secretary-general of the governing Liberal Democratic party.

"I think right now the OTC market is very tricky, since there may be a clampdown on how OTC stocks are initially placed," said Craig Chudler, a strategist with Smith New Court Ltd., the London-based brokerage.

A spokesman for the Securities Dealers Association said changes in the way shares are offered are under consideration. One possibility is to offer shares by auction.

Most shares are now placed with investors before they are listed, with underwriters handling the rest. Underwriting brokers pointed to a growing emphasis on placing shares with a greater number of investors and said the initial minimum number of shares may be increased.

Computer trading is likely to be introduced next year to boost volume and facilitate the matching of buy and sell orders, the securities association spokesman added. The current system provides only price quotations, not actual transactions.

Even if you find good value, volume is so thin that you end up pushing the price up by yourself.

3 East Bloc Nations Shift to More Western Trade Orientation

By Jackson Diehl

WARSAW — Poland, Hungary and Yugoslavia, the three East European countries that are at the forefront of economic change in the Communist world, have recorded sharp increases in trade with Western countries this year, bolstering economies that are plagued by stagnation and heavy foreign debt.

At the same time, trade problems are growing between these countries and the Soviet Union, which has been unable to supply quality goods in sufficient quantities or compensate for the falling prices of its exports of oil and other raw materials.

Economists and government officials said the results reflected a major effort by East European countries to orient their economies more toward the West and growing structural problems within the Council for Mutual Economic Assis-

tant, the Soviet-led economic community known as Comecon. While efforts by President Mikhail S. Gorbachev of the Soviet Union to revitalize Comecon trade have failed, Communist governments have felt growing pressure to trade with the West to modernize industries with new technology and to pay debts.

"When we look at the West, we see an urgent need to increase both imports and exports," said Janos Kozma, a trade expert at the Institute of Economy in Hungary. "As far as the Soviet Union is concerned, there is no way to increase trade because they cannot supply us with goods in exchange."

In the first 10 months of this year, Hungary's exports to Western countries rose 20 percent, while exports to the Soviet Union fell 10 percent. Poland's exports to the West rose 21 percent in the first three quarters, while Yugoslavia's export growth rate was more than 15 percent.

Of the three countries, only Poland increased its exports within Comecon, and these grew at less than half the rate of sales to Western countries.

Overall, the volume of exports of the Soviet Union and its six Eastern European allies to the West was growing at an annual rate of 6 percent in the first half of this year, according to the United Nations Economic Commission for Europe. During the same period, officials here said, overall Comecon trade increased by only 0.5 percent.

Economists and government officials say part of the surge in trade with the West can be attributed to such exceptional temporary factors as the rising demand and price for grain resulting from the U.S. drought.

However, Poland, Hungary and Yugoslavia also have taken measures to encourage exports and are planning even more radical steps for coming years.

All three countries have been coordinating their policies with the International Monetary Fund, which resumed an active role in Eastern Europe this year after a lapse of several years. Hungary and Yugoslavia are both operating under formal IMF stabilization programs, while Poland, negotiating to sign one, has been following IMF recommendations on its trade and financial policies.

Under the urging of the IMF, Hungary and Poland have liberalized controls on foreign exchange and regularly devalued their currencies against the dollar, while Yugoslavia has gone a step further by creating a free foreign-exchange market.

Hungary and Poland have also made it easier for individual companies, rather than state trading monopolies, to earn and keep Western hard currency. These steps have made the East Europeans' goods more competitive in the West and

given companies more incentive to export.

All three countries also have diverted some goods from their domestic markets to exports.

While improving the trade balances, this has caused problems at home. Yugoslavia export policy is accused of exacerbating the country's 200 percent inflation rate, while in Poland, rapidly growing exports of textiles, paper and other products have been blamed for tightening domestic shortages of these goods.

As a result, both Poland and Yugoslavia have resorted to spending their higher export earnings on imports for the domestic consumer market. After a wave of strikes in August, Polish authorities ordered the import of \$300 million of Western supplies for the consumer market.

See EAST, Page 15

Pennwalt Gets Bid Of \$100

Company Valued At \$760 Million

Compiled by Our Staff From Dispatches  
NEW YORK — An investment partnership Monday launched a cash bid for Pennwalt Corp. that values the whole of the Philadelphia-based chemicals concern at about \$760 million.

Centaur Partners, a New York partnership controlled by Abbey J. Butler and Melvyn J. Estrin, said a subsidiary that already owns 12.7 percent of Pennwalt stock will offer \$100 a share in cash for the rest.

Pennwalt's stock jumped after the announcement, to trade at \$98.50 in the afternoon on the New York Stock Exchange from \$83 at Friday's close.

Pennwalt makes and sells industrial chemicals and is a leading maker of chlorinated plastic, commonly used in building cable insulation. The company had sales of nearly \$1.2 billion last year.

Company executives declined to comment on the offer. But Pennwalt, a rumored takeover target for months, had taken several defensive steps to thwart unwelcome suitors, including the \$460 million sale of pharmaceutical operations three months ago and a stock repurchase completed last week.

Centaur estimated the cost of acquiring all the outstanding shares of Pennwalt, plus fees and expenses, at about \$765 million. It said that PaineWebber Funding Inc. has committed to provide up to \$400 million of subordinated bridge financing.

In addition, National Westminster Bank USA and Marine Midland Bank have committed to provide an aggregate of up to \$200 million of senior bank financing and to seek to arrange a syndicate to provide up to \$250 million.

In addition, National Westminster Bank USA and Marine Midland Bank have committed to provide an aggregate of up to \$200 million of senior bank financing and to seek to arrange a syndicate to provide up to \$250 million.



Y.S. Kim, the executive in charge of microelectronics at Samsung, with a wafer that contains hundreds of one-megabit chips.

Seoul Takes on the Megabit Elite  
Samsung's Advanced Chips Put it in an Exclusive Club

By David E. Sanger  
NEW YORK Times Service  
SEOUL — This year, Samsung Corp. began mass-producing one-megabit chips, computer memory devices storing more than a million pieces of data. It is now exporting them in volume, marking South Korea's entry to an exclusive club dominated by Japanese companies — and forsaken by American industry.

For South Korea, whose economic miracle was built on cheap labor and sheer energy, the one-megabit chip is a foray into ultrahigh-tech technologies that many had thought beyond its reach.

Samsung says it is shipping 1.5 million of the DRAM (dynamic random access memory) chips a month. It is aiming for 4 million to 5 million chips a month by the end of next year, when it will also start producing four-megabit chips.

The contrasts with the United States, where only a handful of companies are willing to bear the huge expense and risks of the technology, are lost on no one in Seoul.

"The U.S. is losing momentum in microelectronics," said Y.S. Kim, a former executive of International Business Machines Corp. and Honeywell Inc., who returned to South Korea last year after a 30-year absence to head Samsung's effort. "I came back because Korea's gaining it."

Indeed, Samsung's mastery of the demanding technology is a source of national pride for South Korea, whose success has been built around textile factories, shipyards and automobile assembly lines.

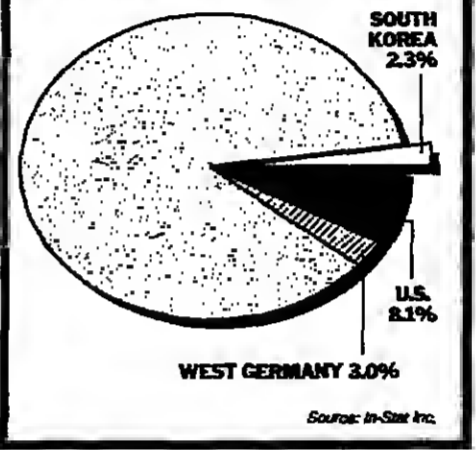
However, South Korea's success in one-megabit chips does not necessarily herald a new era of technological competitiveness. Despite tempting comparisons, even the most enthusiastic Korean executives freely admit that South Korea is no Japan.

As one government official said ruefully, the megabit chip "may be a one-act show," at least for a while.

One reason is that South Korea is desperately short of engineering talent. The megabit chip project at Samsung, and projects like it at units of Lucky-Goldstar International Corp., Daewoo Corp. and Hyundai Corp., South Korea's biggest

South Korea's Growth In Memory Chips

South Korea produced virtually none of the 34 million one-megabit memory chips made in 1987. In 1988 its share rose, along with worldwide production, which totaled 173 million of the chips, valued at \$2.66 billion.



Japan's Surplus Soared by 38% In November

Compiled by Our Staff From Dispatches  
TOKYO — Japan's trade surplus surged 38 percent in November from a year earlier, the government reported Monday, confirming fears that Tokyo might not be able to trim the imbalance much this year, economists said.

The surplus of \$6.55 billion on a customs-cleared basis and unadjusted, compared with one of \$4.75 billion in November 1987, the Finance Ministry said. On an adjusted basis, the November surplus rose to \$7.61 billion from \$7.19 billion in October.

Exports rose 19.5 percent in November, to \$22.63 billion, while imports grew only 13.4 percent, to 16.08 billion.

A strong increase in sales of cars and semiconductors contributed to export growth, while a decline in crude oil imports pulled down the import level, Finance Ministry officials said.

Reductions in Japan's large and politically sensitive trade surplus with the United States could also be in jeopardy, economists said. That surplus had fallen for the past 10 months but has now risen.

The surplus with the United States rose 5 percent, to \$4.42 billion. That was the first rise since December 1987.

"On a volume basis exports rose 10.5 percent, which is very, very strong," said Matthew Benlow, an economist with Citicorp. Scamgeour Vickers in Tokyo. "The increase in export volume is the highest this year. This is part of an accelerating trend."

A Finance Ministry official said that Japan's trade surplus might keep growing as exports were poised for further expansion.

He also said that unless crude oil prices rose, Japan's imports were not likely to show a large increase. Nonetheless, the official said, it was a bit too early to conclude that the process of correcting international trade imbalances has been reversed.

A factor in the 37.9 percent year-on-year increase in the November trade surplus was slower-than-expected import growth caused by lower oil prices. Prices averaged \$12.59 per barrel in November, 31.6 percent less than the \$18.40 per barrel a year earlier, he said.

On an adjusted basis, November exports rose 6.7 percent, to \$23.80 billion, from \$22.30 billion in October. Imports advanced 7.1 percent, to \$16.19 billion from \$15.11 billion.

Economists had warned that Japan's exports might be once again out of control, causing its trade surplus to surge back and erase all the progress in cutting it so far this year.

Kenneth Courtis, economist at DB Capital Markets (Asia), said with exports climbing so swiftly, imports would have had to surge 32.2 percent just to keep the surplus at its year-earlier level.

"Thirty-two percent is near the limit of what Japan can possibly do," he said.

The overall surplus was in line with the earlier projection by economists.

The ministry officially blamed the increase in the bilateral U.S. surplus on car shipments, which accounted for 30 percent of overall exports to the United States.

According to ministry data, See SURPLUS, Page 15

Currency Rates

Cross Rates	12/13	12/12	12/11
Amsterdam	1.94	1.93	1.93
Braunschweig	36.25	36.25	36.25
Frankfurt	1.78	1.78	1.78
London (D)	1.41	1.41	1.41
Niiga	128.35	128.35	128.35
New York (C)	1.42	1.42	1.42
Osaka	128.35	128.35	128.35
Paris	1.42	1.42	1.42
Tokyo	128.35	128.35	128.35
Zurich	1.42	1.42	1.42
1 ECU	1.94	1.94	1.94
1 SDR	1.94	1.94	1.94

Chasing in London, Tokyo and Zurich. Rates in other centers. New York closing rates.

Commercial banks; D: to buy one dollar; C: to buy one yen; \*: Units of 100; N.A.: not available.

Other Dollar Values

Currency	Par \$	Value	Par \$	Value
Argentine austral	13.38	13.38	13.38	13.38
Australian dollar	1.14	1.14	1.14	1.14
Brazilian cruzeiro	12.25	12.25	12.25	12.25
Canadian dollar	0.77	0.77	0.77	0.77
French franc	6.55	6.55	6.55	6.55
Italian lira	200.48	200.48	200.48	200.48
Japanese yen	109.40	109.40	109.40	109.40
Spanish peseta	166.64	166.64	166.64	166.64
Swiss franc	2.00	2.00	2.00	2.00
West German mark	1.43	1.43	1.43	1.43

Forward Rates

Currency	30-day	60-day	90-day	180-day
Pound sterling	1.832	1.825	1.820	1.825
Japanese yen	122.19	122.45	122.71	122.97
Swiss franc	1.374	1.374	1.374	1.374

Sources: Indusbank Bank (Brazil); Banca Commerciale Italiana (Milan); Banque Paribas de Paris (Paris); Bank of Tokyo (Tokyo); IMF (SDR); BAII (Tokyo, Hong Kong); Citicorp (London); Deutsche Bank (Frankfurt). Other data from Reuters and AP.

Interest Rates

Reconciliation Deposits

Term	Dollar	Yield	Term	Dollar	Yield
1 month	9 1/8	9 1/8	1 month	9 1/8	9 1/8
3 months	9 1/4	9 1/4	3 months	9 1/4	9 1/4
6 months	9 1/4	9 1/4	6 months	9 1/4	9 1/4
1 year	9 1/4	9 1/4	1 year	9 1/4	9 1/4

Key Money Rates

United States	Class	Rate
Discount rate	4 1/2	4 1/2
Federal funds	8 1/2	8 1/2
Commercial paper	8 1/2	8 1/2
3-month Treasury bills	7 3/4	7 3/4
6-month Treasury bills	8 1/2	8 1/2
3-month CD's	8 1/2	8 1/2
6-month CD's	8 1/2	8 1/2

U.S. Money Market Funds

Fund	Assets	Assets
Merrill Lynch Ready Assets	\$2.5	\$2.5
30-day average yield	7.44	7.44
Yield to maturity	8.84	8.84

Gold

Commodity	Price	Price
Gold (per ounce)	\$325.15	\$325.15
Gold (per 100 grams)	\$101.85	\$101.85

Générale Launches Major Ownership Reshuffle

BRUSSELS — Société Générale de Belgique announced Monday a major reshuffle of its ownership structure, including the sale of its 5.2 percent holding in Alcatel NV and an increase in its stake in Compagnie Générale d'Electricité SA of France.

Belgium's biggest company also forecast a net loss of up to 2 billion Belgian francs (\$34.9 million) this year, as huge restructuring costs outstripped an estimated operating profit of 10 billion francs. In 1987 the company posted a net profit of 3.6 billion francs.

Générale said it was selling its stake in Alcatel to the French electricity group and TIT Corp. of the United States, which jointly control the Netherlands-based telecommunications company, for 10.2 billion Belgian francs.

In turn, Générale has raised its stake in Compagnie Générale d'Electricité to 41.8 percent from 2.8 percent, paying around 350 million French francs (\$58.9 million) for 900,000 shares.

The French electricity group, which holds 3.3 percent in Générale, is part of the Belgian-French alliance around Compagnie Financière de Suez that fought off an attempt by the Italian financier, Carlo de Benedetti, to gain control of Générale earlier this year.

The current restructuring grew

out of the change of management that ended the protracted, often bitter battle for Générale.

Générale said it was set to record bumper profits next year after the major overhaul of its worldwide operations was completed.

"When we announced earlier this year that we expected to double our 1987 net profit by 1991 we were told that was absurd," the chairman-designate, Etienne Davignon said at a news conference. "Now we are set to achieve that goal next year."

The managing director, Hervé de Carmoy, said the strong growth in operating profits reflected good performances of key firms in which Générale had also raised its stakes.

Générale was a sprawling conglomerate with interests in more than 1,300 companies worldwide when Mr. de Benedetti launched a hostile bid for control in January.

The new management put into place by the Belgo-French alliance that frustrated Mr. de Benedetti's bid and shed stakes in more than 300 companies by June.

The alliance around Compagnie Financière de Suez wants to recoup some of the vast sums spent during the battle by selling part of its majority stake to friendly institutional investors and in the market next year.

As part of the restructuring, Suez and the Belgian insurance conglomerate, Groupe AG, announced a new structure of the majority stake that will facilitate the sale of Générale shares some time next year when market conditions are right.

Under the complex deal, Suez retains control of Générale, with just over 50 percent, down from 60.9 percent, and AG raises its stake to 12.5 percent from 6.7 percent.

Just over 12 percent will be parked in a new holding company, Sodinvest, pending the planned sale, while 5 percent has already gone to an investor who was not identified.

At the start of the takeover battle, Générale placed 12 million new shares with Sodinvest, then still a subsidiary, to thwart Mr. de Benedetti. Suez later took control of Sodinvest, which held 42.1 percent in Générale at the last shareholders meeting in September.

In the course of the ensuing changes, Mr. de Benedetti further reduced his stake in Générale to 15 percent. He sold just over 4 percent to Suez recently as part of a settlement reached in June that gave him and his associates four seats on the Générale board.

Suez also announced that it expected to post an attributable

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Mr. de Carmoy recently said that the company will have cut by around 300 the number of firms in which it held stakes worldwide, to below 1,000 by next June.

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NYSE Most Actives table with columns: Vol, High, Low, Last, Chg.

Market Sales table with columns: NYSE 4 A.M. volume, NYSE prev. close, Amer. prev. close, etc.

NYSE Index table with columns: Composite, Industrials, Utilities, Finance.

Monday's NYSE Closing Via The Associated Press

AMEX Diary table with columns: Class, Prev.

NASDAQ Index table with columns: Class, Chg., Week, Year.

AMEX Most Actives table with columns: Vol, High, Low, Last, Chg.

Dow Jones Bond Averages table with columns: Class, Close, Chg.

NYSE Diary table with columns: Class, Prev.

Odd-Lot Trading In N.Y. table with columns: Buy, Sales, % of Total.

Dow Jones Averages table with columns: Open, High, Low, Last, Chg.

Standard & Poor's Index table with columns: High, Low, Close, Chg.

NASDAQ Diary table with columns: Class, Prev.

AMEX Stock Index table with columns: High, Low, Close, Chg.

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

N.Y. Stocks Reverse Early Gain

NEW YORK — Prices failed to hold on to early-session gains Monday and closed slightly lower in slow trading on the New York Stock Exchange. Traders cited a late pullback in the bond market and some futures-related selling for the final-hour reversal.

The Dow Jones industrial average, which rose 1.78 points on Friday, slipped 3.91 to close at 2,139.58. Declines led advances by more than a 7-6 margin. Volume fell to 124.16 million shares from 133.77 million traded on Friday.

The Dow jumped about 12 points in the first hour of trading and reached a high of around 15 points at midday before reversing course around 3 p.m. "The bond market did come off later in the day," said Ricky Harrington, chief technical analyst with Interstate-Johnson Lane in Charlotte, North Carolina.

"Keep in mind we had a runup of some 65 points early last week, and this seems to be a continuation of the consolidation we saw Thursday and Friday." Mr. Harrington said the market was caught in several mid-December "cross currents" — tax-related moves and year-end investment — that made daily moves difficult to understand.

"There is no trend right now," he said. "The market is reacting to external factors such as the dollar and short-term moves in interest rates." And while the pullback mirrored a similar move in bonds, Mr. Harrington said "it was

normal for the market to give back a small portion of last week's gains." Broad-market indexes also slipped. The New York Stock Exchange index fell 0.51 to close at 276.52. The price of an average share lost 5 cents.

Pillsbury was the most active issue, jumping 3 1/2 to 62. Britain's Grand Metropolitan sweetened its takeover bid by \$3 a share to \$63 a share. Pillsbury once again rejected the offer. Pacific Gas & Electric followed, down 1/4 to 17 1/2.

Table A: 12 Month High Low Stock Div. Yld. PE Stk. High Low Last Chg. Containing various stock listings.

Table B: 12 Month High Low Stock Div. Yld. PE Stk. High Low Last Chg. Containing various stock listings.

Table C: 12 Month High Low Stock Div. Yld. PE Stk. High Low Last Chg. Containing various stock listings.

Table D: 12 Month High Low Stock Div. Yld. PE Stk. High Low Last Chg. Containing various stock listings.

Table E: 12 Month High Low Stock Div. Yld. PE Stk. High Low Last Chg. Containing various stock listings.

Table F: 12 Month High Low Stock Div. Yld. PE Stk. High Low Last Chg. Containing various stock listings.

Table G: 12 Month High Low Stock Div. Yld. PE Stk. High Low Last Chg. Containing various stock listings.

Table H: 12 Month High Low Stock Div. Yld. PE Stk. High Low Last Chg. Containing various stock listings.

Vertical advertisement on the right edge of the page, including 'Met Ta', 'U.S. Is Sa', and 'EMPLOYMENT'.



BUSINESS ROUNDUP

Grand Met Talks Lift Pillsbury Stock

Compiled by Our Staff From Dispatches
NEW YORK — Shares of Pillsbury Co. rose sharply on Monday on expectations that its British...

Pillsbury's board said the company was worth between \$68 and \$73 a share, although the company has been unable to entice other buyers into the bidding ring.

Scottish & Newcastle's Profit Grew by 26% in Half Year

LONDON — Scottish & Newcastle Breweries PLC, recently the target of a hostile bid by Elders...

But the British company said that in another meeting between the top officials of the two companies on Sunday the range was narrowed down to a willingness by Mr. Sheppard to discuss a bid of \$65 and by Mr. Smith to discuss \$67.

SGS-Thomson Is Reported To Want Thorn's Chip Unit

LONDON — Spokesmen for SGS-Thomson Microelectronics said Monday that the French-Italian semiconductor company was holding negotiations with Thorn EMI PLC of Britain...

Blackstone Sells 20% Stake To Nikko for \$100 million

NEW YORK — Blackstone Group said it has sold a 20 percent interest in its holding partnership to Nikko Securities Co. of Japan for \$100 million.

X-RAY: U.S. Is Said to Lag Japan in Developing New Chip Technology

(Continued from page 1)
reago, they thought nobody could touch them."
Mr. Bloch said it was vital that the United States make a commitment to the technology.

In Japan, two storage rings are being developed at the Electronics Technology Laboratory, a national laboratory in Tsukuba that develops commercial technology.

U.S. Bank Profits Reach Record

WASHINGTON — U.S. commercial banks enjoyed record profits in the July-September quarter, but a regulator sounded a cautionary note Monday about an increase in bad loans and rising bank involvement in leveraged buyouts.

GM Details Profit Sharing

DETROIT — Roger B. Smith, chairman of General Motors Corp. said Monday that GM would make \$90 million in profit-sharing payments to its U.S.-based hourly and salaried employees.

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(Continued from Back Page)
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Bankers Trust International Limited
Bank of America International Limited
BNP Capital Markets Limited
James Capel & Co.
Commerzbank Aktiengesellschaft
Deutsche Bank Capital Markets Limited
Kredietbank International Group
Merrill Lynch International & Co.
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Wood Gundy Inc.
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Compagnie de Banque et d'Investissements, CBI



Floating-Rate Notes table with columns for Issuer/Mat, Coupon, Maturity, Bid, Ask, and various market data.

Herald Tribune advertisement: Now Printed in New York For Same Day Service in Key American Cities. Includes contact information for subscriptions.

The SOVIET UNION in 1990! advertisement: MAY 17 AND 18, 1989, MOSCOW. Includes details about a conference on the economic outlook for the Soviet Union.

Monday's NYSE Closing table: Lists various stocks and their closing prices, including a note that 'Tobies include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.'

Deutsche Marks table: Lists various German stocks and their prices.

Japanese Yen table: Lists various Japanese stocks and their prices.

E.C.U. table: Lists various European Currency Unit (E.C.U.) related data.

THE BELLE EPOQUE IN THE PARIS HERALD advertisement: Features a large illustration of a woman in a dress and a man in a suit. Text describes the book as 'Eye-witness accounts of a shimmering era and its beautiful people — dazzling scandals — and crazy crazes — including the horseless carriage and flying machine!'.

Order form for 'THE BELLE EPOQUE IN THE PARIS HERALD'. Includes fields for Name, Address, City, Country, and payment options (Credit Card, Amex, Diners, Eurocard, MasterCard, Visa).

Large financial table containing various market data, including stock prices, interest rates, and other financial metrics. Includes sub-sections like 'NYSE Highs-Lows' and 'NEW HIGHS'.

Trelleborg Sells Option On Holding in SKF advertisement: STOCKHOLM — Shares of the Swedish ball-bearing company, AB SKF, slumped Monday on the Stockholm Bourse on news that Trelleborg AB had sold an option to acquire its 10.5 percent stake in the company to AB Patricia, an investment company controlled by the Wallenberg family.

EC Moves to Protect Investors in Securities advertisement: BRUSSELS — The European Community adopted rules Monday aimed at protecting investors in stocks and bonds by ensuring adequate information on issues throughout the community.

PERSONAL INVESTING IN THE IHT THE SECOND MONDAY OF EACH MONTH advertisement: EDITED FOR THE SOPHISTICATED INVESTOR — AN ESSENTIAL GUIDE TO OPPORTUNITIES AND PITFALLS — WORLDWIDE.













CURRENCY MARKETS

Dollar Advances in Quiet Trading

NEW YORK — The dollar firmed slightly Monday in thin, dull trading as dealers awaited indications on the direction of the U.S. economy.

After trading in a narrow range throughout the day, the dollar finished ahead of Friday's close against major currencies, but slightly below Monday's London closing levels.

Operators were reluctant to hold large dollar positions ahead of the U.S. trade data for October, to be released Wednesday, dealers said. They added that short-term speculative trading focused on buying the British pound against the Deutsche mark, and this supported the dollar indirectly against the mark and the yen.

"Even though people are buying back dollars, it's really not pushing the dollar up that much," said Hubert Pedrol, manager of Credit Suisse's corporate foreign exchange desk. "This means most of the participants don't think the dollar will rise in the short term above about 1.745 or 1.75 against the mark."

The U.S. currency advanced to 1.7415 DM from 1.7375 at Friday's close and to 122.88 yen from 122.65.

The pound dipped to \$1.8425 from \$1.8468, while the dollar firmed to 1.4653 Swiss francs from 1.4645 and to 5.9540 French francs from 5.9370.

In London, the dollar rose in quiet European trading as dealers

London Dollar Rates

Table with columns: Currency, Rate, Change. Includes Deutsche mark, Japanese yen, Swiss franc, French franc.

Source: Reuters

Dealers said the currency markets traded nervously in advance of a writer of data scheduled for release this week — most importantly the October trade figures.

The dollar closed in London at 1.7425 DM, up from 1.7315 on Friday, and at 122.80 yen, up from 122.25.

The pound weakened to \$1.8410 from a closing level Friday of \$1.8493, after weaker-than-expected British retail sales for November calmed market speculation of further rise in British interest rates.

Economists said it was too early to say if the figures signified a slowing in consumer spending, but they predicted a decrease in sales volume early next year when the recent increases in British interest rates begin to take effect.

Against other currencies in London, the dollar closed at 5.9250 French francs, up from 5.9255 on Friday, and at 1.4665 Swiss francs, up from 1.4600.

Economists forecast a U.S. trade deficit of \$10.6 billion in October, roughly equal to the \$10.5 billion shortfall in September. Dealers

said that a wider deficit could put the dollar under renewed pressure, while a little changed figure could help calm foreign exchange markets.

Dealers said other U.S. data, including retail sales figures on Tuesday, industrial production and capacity utilization on Wednesday and housing starts and producer prices on Friday, could also have an impact.

Dealers said speculation over possible interest rate moves in the United States and West Germany also kept trading in narrow ranges. The Federal Reserve System's policy-making arm, the Federal Open Market Committee, is to meet on Tuesday and Wednesday, while the West German Bundesbank Council is scheduled to set 1989 monetary targets at its meeting on Thursday.

Some dealers said that if U.S. trade deficit widens in October and the dollar falls, the Fed could raise the discount rate, the interest it charges on loans to banking institutions, from the current 6.5 percent. If the trade gap narrows and the dollar rallies, they said this would give the Bundesbank the opportunity to raise its Lombard rate.

Many analysts said the Fed has already begun to tighten credit conditions.

They based this belief on the fact that recent economic statistics have pointed to an economy still barreling ahead, with inflationary pressures rising. (Reuters, UPI, AP)

Strong Pound Hurts Exports, Survey Finds

Agence France-Press

LONDON — The strength of the pound is threatening Britain's exports, the Confederation of British Industry said in its November industrial survey, published Monday.

The survey of 1,104 industrialists found that 28 percent of respondents considered their export order books were below normal, while 23 percent thought they were above normal. The 5-point gap painted the gloomiest picture for exports of any survey since April 1987.

The weakening of export order books emphasizes the difficulty of selling overseas as the pound has strengthened, the group's economic situation committee reported.

But the industrialists were more optimistic concerning their overall orders. Thirty percent said they were above normal and only 16 percent below. The difference of 14 percent was up from 11 percent in October.

Given the high level of overall orders, 36 percent of those surveyed said they expected an increase in production in the next four months while only 9 percent believed their output would drop.

Inverted Yield Curve in U.S. Likely to Persist

By Kenneth N. Gilpin, New York Times Service

NEW YORK — The conditions that have produced higher yields on short-term U.S. Treasury securities than on long-term bonds are likely to persist for at least the next couple of months, credit market analysts say.

This unusual situation, known as an "inverted yield curve," last occurred in the United States in July 1982.

In contrast to previous such periods, however, there is little evidence to support a view that the bond market is anticipating an economic slowdown or a recession, the analysts point out.

"It will take months, if not several quarters, to produce an economic slowdown," said William H. Gross, managing director of the Pacific Investment Management Co. in Newport Beach, California. "Investors who bought long-term bonds expecting a downturn would be a little premature."

In trading on Monday, the bellwether 30-year Treasury bond rose to 100 18/32 from 100 13/32 on Friday. The yield on the bond fell to 8.943 percent from 8.96 percent, while three-year notes were returning 9.07 percent, unchanged from Friday.

Interest rates on long-term debt are usually significantly higher than those on short-term debt to compensate investors for assuming a greater inflation risk. On a graph, the yield

curve normally slopes upward, but the present curve slopes downward.

During 1983, the Federal Reserve Board has consistently nudged short-term interest rates higher in an attempt to slow economic growth to the annual rate of 2 percent to 2.5 percent it says is necessary to avoid a further rise in inflation.

Those rate increases, plus the expectation of traders that the Fed will soon raise rates again, have pushed short-term rates significantly higher in recent weeks.

Meanwhile, long-term interest rates have remained relatively steady.

Most analysts attribute the steadiness of long-term rates to investor confidence in the job the Fed is doing to combat inflation and to certain technical supply and demand factors at play in the long-term bond markets.

The present supply-and-demand conditions include a preference for zero-coupon Treasury bonds among institutional and individual investors who are wary of risks in the stock and corporate bond markets. To meet that demand, Wall Street has responded by splitting the interest and principal components of a record amount of Treasury bonds this year. The stripping activity has reduced the marketable supply of long-term U.S. government issues.

With no new Treasury bonds scheduled to be sold until well into 1989, "the yield curve can remain inverted while economic activity contin-

ues at an undesirably strong pace and while inflation remains unacceptably high and rising," said Richard Kelly, president of Aubrey G. Lanston & Co., a primary dealer in Treasury securities.

Even though short-term rates in the United States are likely to top long-term rates for a while longer, there is little reason to expect the yield curve to become steeply inverted.

"The days of the steeply inverted yield curve are over, for the simple reason that our economy cannot afford it," said Mr. Gross. "To have short-term rates that are sharply higher than long rates would cause too much havoc and create too many bankruptcies."

Rate Fears Depress German Bonds

Growing expectations that the Bundesbank will raise interest rates on Thursday depressed the price of German government bonds, Agence France-Press, quoting dealers in London, reported on Monday.

Domestic bonds suffered more than Euro-market issues, dealers said. The 6 3/4 percent domestic issue that matures in July, 1997 was quoted at a price of 101.15, down from 101.45 on Friday.

The French bond market was also slightly lower. The French Treasury 9.8 percent bond due in 1996 was quoted at 105.82, down from 105.99 on Friday.

EAST: 3 Comecon Countries Shifting to More Western Trade Orientation

(Continued from first finance page) including such rarely seen luxuries as tropical fruit and quality soap. Yugoslavia adopted similar measures at the end of a hot summer of workers' protests.

Economists say that despite the gains in exports, none of the three countries has made significant progress toward earning enough from trade to meet the annual payments on their foreign debts to the West.

Hungary is expected to record its first trade surplus with the West since 1981. But senior trade officials concede that the gain results almost entirely from sharp rises in the price and demand for such important Hungarian exports as

wheat, aluminum, rolled steel and bulk chemicals.

"We have benefited from price fluctuations, but these can also turn against us," said one top Hungarian official, who asked not to be named. "We still have the task of changing the structure of what we export and finding stable markets in the West."

One of the chief obstacles to improving trade patterns in all three countries is inflexibility of exchanges with the Soviet Union and low quality of its exports, government officials said.

Moscow is the dominant supplier of oil and other industrial materials to all three countries and imports food, machinery and consumer goods in exchange. But as world oil prices have dropped in the past two years, the Soviets have

been unable to meet the fixed value of deliveries specified in the multi-year trade agreements it has with Comecon countries as well as with nonaligned Yugoslavia.

Government officials said Moscow has been unwilling to make up the trade gap by other valuable raw materials, and Hungary and Yugoslavia have rejected Soviet offers of machinery or other manufactured goods as below Western standards. As a result, Budapest and Belgrade have built up an unwanted trade surplus with the Soviet Union, while Poland this year is headed toward its first trade surplus with Moscow in this decade. The Soviet debt to Yugoslavia, which now totals \$1.8 billion, has become a ma-

ajor source of friction in their relations.

Since East bloc countries do not have convertible currencies, the only way to eliminate the trade gaps is for East European countries to cut back their exports to the Soviet Union. Although Yugoslavia and Hungary have taken this step, they have found that such a shift threatens the existence of many state-owned factories producing low-quality machinery and consumer goods primarily for the Soviet Union.

"The problem," said Mr. Kozma, the Hungarian trade expert, "is that these factories cannot sell their products in any other

SURPLUS: Japan Figure Surges

(Continued from first finance page)

automobile exports to the United States rose 11.3 percent over a year ago, to \$2.39 billion, while those of electronic parts such as semiconductors jumped 75.7 percent, to \$377 million.

Overall, Japan's vehicle exports rose 10.1 percent from a year ago, to \$5.72 billion.

"Japanese enterprises have successfully coped with the appreciation of the yen by means of cost-cutting and streamlining their business," said the spokesman, noting that the dollar-yen exchange rate was generally stable this year.

The official said imports of finished products accounted for 51.4 percent of Japan's overall imports. Japan's surplus with the European Community rose to \$1.53 billion from \$1.12 billion in November 1987, with exports climbing 28.1 percent over a year ago, to \$3.73 billion, and imports gaining 23.2 percent, to \$2.20 billion.

The trade surplus with Southeast Asia surged to \$1.64 billion from just \$713 million a year earlier, with exports rising more than 27 percent, to \$5.80 billion, and imports gaining about 8 percent, to \$4.16 billion.

In a separate report, three Japanese research institutes agreed that while the country is likely to experience strong economic growth next fiscal year, it will be hard put to reduce the trade surplus.

The research arms of Nomura Securities Co., Mitsubishi Bank Ltd. and Yasuda Trust & Banking Co. predicted that the trade surplus would remain large. Mitsubishi and Yasuda saw a small rise in the imbalance, while Nomura called for a slight decline.

Nomura's NRI and NCC Co. units predicted GNP would rise 4.6 percent in the fiscal year through March 1990, compared with 5 percent this year, while the trade surplus would slip to \$91.2 billion from a projected \$94.2 billion.

Mitsubishi Research Institute said GNP growth would be 4.1 percent, down from 5.1 percent, while the trade gap would widen to \$95.5 billion from \$94.1 billion. Yasuda Research Institute Co. said GNP would grow 4.6 percent, down from 5.3 percent, while the trade gap would rise to \$94.2 billion.

"The problem is the small improvement in our external imbalances," said Hitoshi Okuda, senior economist at the Nomura units.

Saudi-Watchers Expect Further Cuts in Spending

Reuters

NICOSIA — Saudi Arabia may make further heavy cuts in its spending in 1989 as oil revenues drift at their lowest levels in 15 years, diplomats and economist said Monday.

They predicted that the kingdom, when it announces its new budget at the end of the month, might chop as much as 10 percent from the 1988 level of spending, which was estimated at 141 billion riyals (\$37.6 billion). The tightening would follow a series of sharp and painful cuts made every year since 1981, when oil revenue reached a peak of just over \$100 billion.

"Most people expect a smaller budget — how much, no one is sure," said a Riyadh-based diplomat.

Despite last month's agreement by members of the Organization of Petroleum Exporting Countries to cut oil production in order to raise prices, diplomats think oil revenue is unlikely to rise much in 1989 from this year's estimated \$16 billion, and may even fall.

They said cuts would be made as the few projects still going on wind down and as maintenance work is shifted from Westerners to Saudis, whose wages are not as high. Government payments might also be stretched out.

The government would continue to bridge gap between income and spending by drawing on reserves built up during the oil boom and through a bond program introduced with last year's budget.

"A lot depends on how they project their revenue," said the diplomat. "I suspect they are waiting till the last moment possible to see how the price of oil responds to the OPEC accord."

Diplomats said that, adjusted for inflation, Saudi Arabia's oil revenues were now nearly as low as they were in 1973, before an OPEC oil embargo against the West sent prices shooting up by over 10 times.

Monday's OTC Prices. NASDAQ prices as of 4 P.M., New York time. This is a composite of the 1,000 most traded securities in terms of dollar volume. It is updated twice a year. Via The Associated Press.

Table with columns: 12 Month High, Low, Stock, Div, Yld, PE, Ratio, High, Low 4 P.M. Close. Lists various stocks and their performance.

Table with columns: 12 Month High, Low, Stock, Div, Yld, PE, Ratio, High, Low 4 P.M. Close. Lists various stocks and their performance.

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Table with columns: 12 Month High, Low, Stock, Div, Yld, PE, Ratio, High, Low 4 P.M. Close. Lists various stocks and their performance.

Blackstone. 50 YEARS. Advertisement for Blackstone with historical context and company information.



BOOKS

AFRICAN MADNESS

By Alex Shoumatoff. 202 pages. \$18.95. Alfred A. Knopf, 201 East 50th Street, New York, N.Y. 10022.

Reviewed by Michiko Kakutani

LIKE a Graham Greene character, Alex Shoumatoff seems drawn to hot, bug-ridden places, tropical backwaters of the Third World, where the superficial comforts and rules of the West do not apply. He is not, however, a skeptical observer like V.S. Naipaul, constantly on the lookout for signs of backwardness and corruption, but rather an old-fashioned traveler, beguiled by the exotic romance of such unfamiliar places. In the introduction to his latest collection of essays on Africa, he writes: "I was, and am, swept away by these worlds of exotic light and color and overpowering beauty, by the birds, flowers, and butterflies, by the scintillating, radiant life of the rain forests and the markets, by the generosity and the gentleness of the people, by the music and the slow, delicious rhythm of life. . . I came to need these trips to get my juices flowing again and to recover the sense of wonder, so hard to sustain in these cynical times."

This "sense of wonder" is combined with Shoumatoff's delight in the diversity and peculiarities of the physical world — at his best, his writing combines a naturalist's precision with a journalist's chatty command of facts — and there are moments in "African Madness" when the continent emerges as the kind of garden of Eden. One essay ("The Last of the Dog-Headed Men") for instance, is an elegy for the island of Madagascar, a "celebration of a lost, enchanted island world that is on the verge of being obliterated." The essay on Dian Fossey (which covers much of the

same ground as the recent movie "Gorillas in the Mist," but in a considerably less pretentious fashion) contains passages of idyllic wonder. The reader can almost understand why Fossey was so eager to abandon everything to live alone with her gorillas, high on this beautiful mountain, where "dazzling little birds with names like scarlet-tufted malachite subbird darted among lichen-bearded branches and drank nectar from showy yellow Hypericum flowers."

Of course, Fossey's story ended with her love for gorillas turning into an increasingly virulent misanthropy, which led, in turn, to her brutal murder. Africa of the 1980s stands revealed as a despoiled paradise, still recovering from the brutal after-effects of colonialism, and desperately trying to cope with abrupt new political and social changes, a continent "undergoing biological and cultural destruction on an unprecedented scale, due to overpopulation and the arrival of modern inventions like bulldozers, chain saws, defoliants, and television."

This Africa is a place where the desires of Western naturalists and animal lovers collide with the needs of local people to farm and hunt and make a living; a place where modern sexual liberation has accelerated the spread of AIDS, but where ancient superstitions and poor medical facilities undermine efforts to contain it. It is a place where the confusions created by colonization and rapid decolonization enabled monsters like Idi Amin and Jean-Bedel Bokassa to rise to power.

If Shoumatoff's chronicle of Bokassa's rise and fall reads like something out of Gabriel Garcia Marquez's "Autumn of the Patriarch," his account of his travels through the AIDS belt of central Africa becomes a Conradian voyage into the very heart of darkness.

Michiko Kakutani is on the staff of The New York Times.

CHESS

By Robert Byrne

THE Banco Concepcion International Tournament, a double-round quadrangular competition held in September in Vina del Mar, Chile, was won by Ljubovic. Ljubovic — Last place went to the home town favorite, the grandmaster Ivan Morovic, who won no games, drew four and lost two for a 2-4 tally. Morovic's stumbling block was Ljubovic, whom he was defeating him for the second time with a sharp mating attack in the fourth round. When Black develops with 13...Bb7 in the Chigorin Defense to the Ruy Lopez, he hopes to offer the Panov Gambit with 14 Nf1 Ra8 15 Bd4 16 e4 17 Be4 Ne4 18 Re4 Bd5 19 Re1 Qb7, creating powerful pressure, as in the debut game, Veriskin-Panov, Moscow, 1944. But the wary Ljubovic kept solid coverage for his center pawns by leaving his queen knight at d7. By closing the center with 16 d5, Ljubovic rendered the black queen bishop inactive. Morovic hoped to improve his scope by working to loosen the white center with 17...f5, but this thrust also loosened the black kingside. Morovic lured the white king

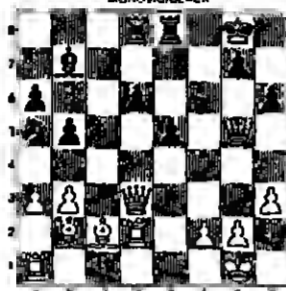
knight into his parlor with 21...b6 22 Ne6 and then accepted Ljubovic's pawn sacrifice with 22...le 23 Ne4 Nd5. He could not play 23...Bd7 because 24 Nf6 Bf6 25 Rd5 Qe6 (25...e4 26 Qe4 Bf6 27 Qb7 Kf7 28 Bg6 Kf6 29 Rf5 Ke6 30 Rb1 Ke5 31 Rf5) e5 32 is annihilating! 26 Bf5 costs Black the exchange.

On 26...Ne6, Morovic should have tried 26...Nf4 27 Rad1 45 28 Ne5 Qe6 29 Nf7 Qb7 30 Be5! Nh3 31 Qh3 Re5 32 Qd3 Q7 Kf8 34 Rd3 Ke7 with chances to survive. Instead, the Chilean erred with 26...Nf6? and permitted Ljubovic even stronger attacking chances after 27 Nf6 Qf6 28 Qd3.

Now 28...g6 was mandatory, but Morovic tried to fight back with 28...Qg7 and ran into sheer ferocity with 29 Qh7! Kf7 30 f4!, which a simultaneously defended the white king and opened lines against the black one.

After 30...f3 Rf1, there was no defense by 31...Rb8 because 32 Bg6! Ke6 33 Qg7 is crushing. After 31...f3 32 Rd2, there was no hope for Black in 32...Rd6 because of 33 Rf3! Bf3 34 Rf3 Ke8 35 Bg7 with a decisive attack.

After 32...Re3 33 Bcl, Black could not play 33...Rd8 because of 34 Rf1



Position after 28...Qg6

BE3 35 Rf3 Rf3 36 Bg5. Moreover, 33...Ke7 34 Be3 Qe3 35 Qg7 Ke6 36 b4! leaves nothing in doubt. Morovic gave up.

Table with columns: White, Black, Mark, Start, Finish, and other chess-related data.

World Stock Markets

Via Agence France Presse Closing prices in local currencies, Dec. 12

Large table of stock market data for various countries including Amsterdam, London, Frankfurt, Zurich, Tokyo, Sao Paulo, Singapore, Manila, Stockholm, Sydney, and Paris.

Table of stock market data for various countries including Amsterdam, London, Frankfurt, Zurich, Tokyo, Sao Paulo, Singapore, Manila, Stockholm, Sydney, and Paris.

Crossword puzzle grid with clues for Across and Down.

Weather forecast table for Europe, Asia, North America, and Latin America.

Jumble word game section with a grid and clues.

Advertisement for Goldstar TVs and VCRs, featuring the slogan 'West Germany: the land of quality craftsmanship.'

Down crossword puzzle section with clues and a solution grid.

Peanuts comic strip featuring Snoopy and Woodstock.

Andy Capp comic strip featuring the character Andy Capp.

Wizard of Id comic strip featuring the character Wizard of Id.

Beetle Bailey comic strip featuring the character Beetle Bailey.

Garfield comic strip featuring the character Garfield.

Doonesbury comic strip featuring the character Doonesbury.

Garfield comic strip featuring the character Garfield.

Large vertical advertisement on the right edge of the page.

Large vertical advertisement on the right edge of the page, including a 'REBOARD' section.







ART BUCHWALD Saving the Lenders

WASHINGTON — While no one was looking, the savings and loan institutions have found themselves in debt to the tune of \$50 billion. To keep the entire industry from going under, there will probably have to be a taxpayer bailout in the very near future.



Buchwald

"That's not the point. The savings and loans are in trouble and you have to bail us out. We expect every man, woman and child in this nation to ante up," he said.

Canaletto Venice Scene Sold for \$1.01 Million

VENICE — "The Bull Hunt in St. Mark's Piazza," a painting by Canaletto, was sold Sunday for 1.4 billion lire (about \$1.01 million), the Italian news agency ANSA reported.

you going to make a voluntary contribution to get us out of the woods, or are we going to have to foreclose on your house?" "If I help you on this, how do I know that the savings and loan down the street won't ask me to do the same for them?"

"Because he doesn't want to be the bearer of bad news. If the people find out what the savings and loan bailout is going to cost each of them, there will be a taxpayers' revolt. To avoid this, the busted savings and loans are making house calls."

A French Intellectual's America

By James M. Markham New York Times Service

PARIS — Since de Tocqueville, French thinkers have been fascinated with America. But when it comes to mysterious paradox and lyrical complexity no French intellectual matches Jean Baudrillard in contemplating the New World.



Jean Baudrillard argues that America is "the only remaining primitive society."

Baudrillard, a lapsed sociologist who has become a sharp-shooting Lone Ranger of the post-Marxist left, is hooked on the United States, which he regards as "the center of the world." It is an unsettling notion for Parisian intellectuals, but so is his vision of America as the incarnation of late 20th-century modernity.

For some time, Baudrillard, a rumped, unpretentious and curiously placid figure, has been a guru for many seeking to grasp the quintessence of modern life. His fragmentary ruminations have roamed eclectically over television, advertising, consumerism, seduction and the pervasive triumph of image and simulation over reality.

His against-the-grain theories about the "ironic" behavior of "the masses" — their knack for voting politicians into bopless predicaments and their preference for entertainment over uplifting exhortations — have outraged the left in France. He has compounded his sins by suggesting that the peace and order of the United States is a result of a "strategic indifference" for fomenting political dissent runs counter to much academic brooding that sees television's manipulative powers as opening the door to fascism.

In the United States, he writes, "the latest fast-food outlet, the most banal suburb, the blandest of giant American cars or the most insignificant cartoon-strip majorette is more at the center of the world than any of the cultural manifestations of old Europe."

A century and a half after de Tocqueville, Baudrillard examines not political traditions but cannaled laughter on American television that is so unrelenting "that you go on bearing it behind the voice of Reagan or the Martines disaster in Beirut." In Porterville, California, he is mesmerized by a shabby hotel where all the TVs are turned on in empty rooms. "The obsessive fear of the Americans," he writes, "is that the lights might go out. Lights are left on all night in the houses."

Lyubimov Quits in Spat

Yuri Lyubimov, the Soviet-born theater director, has left the Royal Opera House in London after a dispute over his staging of Richard Wagner's "Der Ring des Nibelungen."

The Sun newspaper in London said Monday it is paying the singer Elton John a record £1-million (\$1.84-million) libel settlement.

Princess Anne admitted in a frank television interview that she was a "huge disappointment to everybody concerned" during her younger days.

Joel Carreras, the Spanish opera star, charmed critics with his talent and courage in his first full concert before Italian fans since fighting off leukemia last year.

Sylvester Stallone and Faye Dunaway were chosen to represent the spirit of legendary silent film star Rudolph Valentino at the 1988 Rudy Awards.

Sting said he prefers love songs to songs about human rights abuses. "I'd much rather be singing songs about romantic love than human rights abuses, but I have no choice," he said.

PERSONAL MESSAGES ANNOUNCEMENTS MOVING REAL ESTATE FOR SALE

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